



## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### ***The Report of the Bayonne City Board of Education***

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making state government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the state had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach, combining the expertise of professionals, primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the state at no cost to them. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those state regulations and mandates which place burdens on local governments without value added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

## **THE REVIEW PROCESS**

In order for a community or school district to participate in the Local Government Budget Review (LGBR) program, a majority of the elected officials must request the help of the review team through a public resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team and to agree to an open public presentation of the review team's findings and recommendations.

As part of the review of Bayonne City School District, review team members interviewed board of education members, central office and school administrators, supervisors, district employees, teachers, parents, association officers, local elected and appointed officials, county education personnel, and community members. In general, the review team received full cooperation and assistance from the superintendent and district staff members, appointed and elected officials, community members, students, and all others interviewed. It was very enjoyable to work with the people of Bayonne.

The LGBR team reviewed a variety of documents including, but not limited to, the following: budget statements, audit reports, annual financial statements (CAFR), collective bargaining agreements, various reports to the state, payroll records, personnel contracts and files, vendor and account analyses, board policies, meeting agendas and minutes, and many other pertinent documents. Members of the review team visited all elementary schools, the ice-rink/physical education building, the high school, the central office, and the transportation garage. Board of education agenda and regular meetings as well as other meetings were also observed during the course of the visit.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or the tax rate. In particular, the productivity enhancement values identified in this report do not necessarily reflect actual cash dollars to the district but do represent the cost of the entity's current operations and an opportunity to define the value of improving upon such operations. The estimates have been developed in an effort to provide the district an indication of the potential magnitude of each issue and the savings, productivity enhancement, or cost to the community. We recognize that all of these recommendations cannot be accomplished immediately and that some of the savings will occur only in the first year. Many of these suggestions will require negotiations through the collective bargaining process. We believe that these estimates are conservative and achievable.

In addition to the Findings and Recommendations section, this report contains two sections entitled Best Practices and Statutory and Regulatory Reform. Best Practices notes areas in which the district does well and that might be replicated by other school districts to save money. Statutory and Regulatory Reform identifies areas where State laws and rules may cause inefficiencies.

**LOCAL GOVERNMENT BUDGET REVIEW  
EXECUTIVE SUMMARY  
BAYONNE CITY BOARD OF EDUCATION**

The Local Government Budget Review (LGBR) of the New Jersey Department of Treasury conducted an extensive study of the Bayonne City School District in response to the request by the Bayonne City Board of Education. Some 40 areas were reviewed, resulting in projected cost savings and/or managerial reform. Ten areas were recognized as best practices, along with other commendations cited in the findings and two recommendations were made for possible state regulatory or statutory reform. The following is an executive summary of the findings and recommendations and dollar savings as appropriate:

**Comparative Analyses**

Statistical data of comparable school districts were utilized to make many of the recommendations contained in this report. In addition, other sources and publications were used in making recommendations in this document.

**Administration**

A review of administrative personnel documents regarding staffing and costs was conducted. In future negotiations, the district should address administrators' vacation time (traditional school breaks, "use or lose" vacation time), be more specific regarding fringe benefits, and not increase vacation or sick leave time for a potential savings of at least \$25,439. It is recommended that the district reorganize the administrative team by reducing the number of high school vice-principals and the number of directors for total cost savings of \$406,650.

**Board/Administration/Public**

The board, the superintendent, and the central office administrative team work well together during the agenda and regular meetings. An agenda is available for the public at the meetings.

**Board/Superintendent Expenses**

Board of education policy should set limits for travel, lodging, meal, and miscellaneous expenses, and require that receipts and documentation be submitted before payment.

**Staffing**

The ratio of students to teachers was reviewed, and the findings revealed that the average class size was at or below the state average. The district's median salary ranks higher than the median salary for teachers in the state.

**Hiring Practices**

The district has a policy regarding creation of positions and the employment of staff. However, it is recommended that the district have a more specific anti-nepotism policy.

### **Collective Bargaining**

A review of the four negotiated agreements revealed that several provisions were costly and should be discontinued, eliminated, or altered during negotiations at potential savings of \$262,135. The team recommends that, through the negotiation process, the district seek to increase the number of high school teachers teaching six periods per day. Even if initially expanded to only an additional 5% of the current teaching staff, the potential annual savings would be \$266,400.

### **Support Services**

LGBR recommends that the district reduce the number of secretary/clerk positions, develop a job-training program, and institute flex-hour schedules for estimated cost savings of \$207,320. Reassigning clerical duties and responsibilities can reduce the number of attendance officers at cost savings of \$61,437.

### **Overtime/Extra Pay**

A review of overtime sheets supplied indicates a cost of more than \$650,000 in overtime costs to the district, and extra pay costs of more than \$264,000. The specific cost savings will be addressed in the appropriate sections of this document.

### **General Administrative Costs**

A review of the administrative costs revealed that the district has incorrectly coded expenditures and, as a result, did not allow for valid comparison with other school districts. LGBR recommends that staff training classes be established to ensure proper accounting coding and that the expense reference handbook and chart of accounts manual be made available for the department.

### **Budgeting**

The review found that the district performed a total of 140 transfer actions, not including transfers within expanded control accounts that do not require board approval, for a total of \$2.6 million. LGBR recommends that the district stay within its budget guidelines and perform an analysis of transfers to assist in the development of next year's budget.

### **Cash Management**

A review of cash management procedures revealed that the district is earning minimum interest income. If the district restructured most of its bank accounts to improve interest income or investigated other investment opportunities, the potential additional income would be between \$40,283 and \$98,774.

### **Exchange Fund/Petty Cash**

The team reviewed the petty cash fund and found that many of the payments were in excess of \$150. LGBR recommends that a written procedure or policy be developed to be in compliance with GAAP guidelines and code.

**Long-Term Debt**

The team found that the district's long-term debt was in compliance with New Jersey Statutes for a Type I district. The district was also in compliance with the outstanding debt balance acquired while the district was a Type II district.

**Surplus**

The team found that for the 1997-1998 school year, the district had a total surplus of \$1,686,490. The majority of the surplus has been designated to cover contractual obligations.

**Purchasing/Accounts Payable**

Upon review of purchasing/accounts payable, the team recommends that the district join an existing Educational Service Commission purchasing cooperative for cost savings of \$304,920. In addition, the district should reduce the accounts payable staff by one at savings of \$46,240 and eliminate overtime for savings of \$12,200.

**Auditor's Fees/Services**

Auditor's fees were comparable to districts of similar size. However, the district should have a formal written contract of services to be provided and should seek proposals for the purpose of promoting competitive audit fees from different accounting firms.

**Legal Fees/Services**

A review of legal fees/services revealed that the district could realize a savings of \$63,314 by soliciting competitive legal fees from several law firms and by hiring a full-time school attorney to handle a wider range of the legal matters.

**Health Insurance**

Consideration should be given to the following cost saving measures that could potentially save the district between \$1,159,112 and \$1,984,082: introduce another managed care option, negotiate cost sharing arrangements with employees, replace excess provisions, align prescription pricing with current costs, increase co-pay for generic/brand names, and renegotiate the broker's high commission schedule for continuing business.

**Workers Compensation & Property/Casualty Insurance**

The district should consider less expensive Joint Insurance Funds, as an alternative to full insurance, saving the district between \$68,038 and \$102,051.

**Grants/Gifts**

LGBR recommends that the district aggressively monitor grant-funded programs in an effort to ensure that all funds are expended. The district could realize about \$30,100 in additional revenues using 1997 and 1998 fiscal years' average figures.

**Instruction**

Instructional expenses are in line with those of comparison districts and below the state average for all Kindergarten through grade twelve districts.

**Community/Adult Education**

The team recommends that the district take steps to bring receipts more in line with expenditures, resulting in savings of \$101,940.

**Library/Media Services**

The district should develop strategies to increase library time and services to students at the elementary level.

**Parental/Community Involvement**

The team found that the district offers a tremendous number of activities and events geared to all constituents. LGBR recommends that the district share the 1996 survey findings, address the concerns/suggestions, and make a more concerted effort to reach out to gain the support and input of residents without children in the school system.

**Athletics/Extra-Curricular Activities**

The team found that the district has a wide range of athletic and extra-curricular activities for high school and elementary students. The cost to provide the athletic programs and extra-curricular activities is in line with comparison districts.

**Guidance**

Since 1994, the department has consolidated a number of previously independent departments in an effort to coordinate various student programs and services. The team commends the district for providing computers and printer access to each high school counselor. It is recommended that, by reorganizing duties and responsibilities in the department, a secretary/clerk position be eliminated at a cost saving of \$25,024.

**Health Services**

LGBR recommends termination of health benefits to part-time physicians which would save the district at least \$14,400 and would ensure the district's compliance with recommendations found in the State Commission of Investigation's December 1998 report.

**Special Education**

The district is to be commended for establishing classes for multiply handicapped and autistic students and receiving tuition students from other districts. However, LGBR recommends that the district review the reasons why the classification rate is so high (15% for the district and 19% for the high school). The district should explore the "inclusion" of more mildly handicapped students within the regular classroom, as well as decreasing the number of self-contained classes and associated staff requirements. Recommendations would result in savings ranging from \$384,700 to \$810,000.

**Special Education Medicaid Initiative**

Upon implementing improvements to its SEMI operation, the district could achieve \$118,000 per year in revenue enhancements.

**Remedial Education**

The team reviewed the program and recommends that the district consider eliminating the van program and expand its on-site parent/family program, saving the district \$5,800.

**Bilingual/English as a Second Language (ESL)**

The team reviewed the programs and recommends that the district eliminate the teacher assistant positions and use available staff and volunteers to translate when necessary. The cost savings to the district would be \$74,000.

**Technology**

The team commends the school district for being recognized by the Department of Education for its progress with educational computing. However, the district needs to upgrade the status of business computing. LGBR recommends that the district develop a training program for staff, improve its workflow process with a more efficient design for a school business operation, and solicit bids in order to improve the efficiency and effectiveness of the district's business operation at a value-added cost of \$115,000 to \$165,000. In addition, the team recommends that the district consider an internship program for students to do routine computer maintenance and installation at cost savings of \$10,000 to \$15,000.

**Communications/Telephones**

The team reviewed telephone expenses and recommends that the district implement an individual PIN system for telephone calls, request bids for toll and long distance services, not issue cellular phones, use a software program for directory assistance, and enforce procedures for collecting personal telephone costs. Recommendations would reflect a \$94,500 cost savings to the district.

**Photocopiers**

An analysis of copier equipment shows that the elimination of excess copiers should result in both cost savings and future replacement cost avoidance. The district should also consider utilizing the state's "cost-per-copy" contract in three of the district's facilities. Recommendations would save the district \$52,830.

**Facilities**

A review of facilities and various related components revealed that the district could realize a cost savings of \$445,205 by implementing the following: an overtime management plan, work order processing system, competitive bidding of natural gas, current expense subsidy of programs, revised fee schedules, and energy upgrades to swimming facilities. Overall, the district could realize total cost savings of \$1,114,503 by implementing the above and by outsourcing custodial and maintenance functions. LGBR's recommendations include a value-added expense of \$50,000 for a summer painting project.

**Transportation**

The cost for the student transportation program is expensive and somewhat inefficient due to the lack of a computerized scheduling system (value-added cost of \$15,000), excessive overtime costs, full-time work schedules, and possible “courtesy busing” of classified students. The district should consider revising its transportation program for potential cost savings of \$317,000 to \$379,000.

**Vehicle Maintenance**

The team recommends that the vehicle maintenance operation of the school district be merged into the city’s garage facility. The savings from this change are \$75,000.

**Food Services**

Although the district uses a management company to run its food service operation, the team found that the program operated at a deficit for 1996-1997 and 1997-1998. The team recommends that the number of staff members on duty in the elementary school be reduced. Lunch and breakfast prices should also be increased to recommended state levels for total savings of \$202,688 to the district.

**Shared Services**

The team commends the district for its efforts in identifying and implementing shared services with the municipality and other school districts. LGBR approves the concept of sharing services, and there are recommendations in the report to expand the sharing of services to realize additional savings or to improve operations.





<u>Areas Involving Monetary Savings</u>	<u>Onetime Savings/Expense</u>	<u>Annual Savings/Expense</u>	<u>* Potential Savings</u>	<u>Totals</u>
<b>Administration and Staffing</b>				
Eliminate two vice-principal at high school		\$166,000		
Reduce total number of directors by three		\$240,650		
Reduce number of secretary/clerical by two		\$80,325		
Reduce clerical pool in the processing center by three		\$83,441		
Reorganization personnel in business/central office		\$43,554		
Eliminate two attendance officers		\$61,437		
Eliminate ten copiers		\$49,830		
Utilize the state's cost-per-copy contract		\$3,000		
Implement automated phone system		\$48,384		
Prohibit the acceptance of collect calls		\$760		
Request bids for toll and long distance services		\$36,288		
Terminate cellular phone service		\$4,200		
Eliminate directory assistance charges		\$4,868		
				<b>\$822,737</b>
<b>Instruction</b>				
Eliminate one secretarial position		\$25,024		
Terminate health benefits to part-time physicians		\$14,400		
Reorganize staffing/class sizes for SE program	\$384,700	\$810,000		
Revenue Enhancement in SEMI operation		\$118,000		
Eliminate instructional assistant positions for ESL		\$74,000		
Eliminate the van program		\$5,800		
Increase fees for courses in community programs		\$101,940		
Routine maintenance for computers	\$10,000	\$15,000		
				<b>\$733,864</b>
<b>Business Operation</b>				

Enhance interest earnings in cash management	\$40,283	\$98,774	
Use competitive bids for purchasing		\$304,920	
Eliminate one position in accounts payable		\$46,240	
Eliminate overtime for accounts payable		\$12,200	
Enhancement by monitoring grant-funded program		\$30,100	
Purchase new design for business operating system	(\$10,000)		
Solicit bids for alternative computer systems	(\$100,000) (\$150,000)		
Training for business office staff	(\$5,000)		
			<b>\$268,743</b>
<b>Service Contracts</b>			
Reduce billable hours for outside legal service		\$63,314	
			<b>\$63,314</b>
<b>Insurance and Health Benefits</b>			
Eliminate duplicate coverage		\$14,467	
Solicit bids for prescription administrators		\$250,000	
Replace full insurance w/joint insurance funds	\$68,038	\$102,051	
			<b>\$332,505</b>
<b>Facilities and Operations</b>			
Establish district-wide painting program	(\$50,000)		
Savings summary with/without outsourcing	\$495,205	\$1,198,503	
			<b>\$445,205</b>
<b>Transportation</b>			
Computerize transportation operation	(\$15,000)		
Eliminate overtime and benefits by reducing hours		\$249,000	
Reduce hours for bus attendants		\$98,000	
Reduce overtime by increasing supervisor's salary		\$14,000	
Reduce number of student transportation vehicles		\$285,000	
Eliminate courtesy busing for special needs students		\$33,000	
Merge vehicle maintenance with city garage		\$75,000	

					<b>\$739,000</b>
	<b>Food Service</b>				
Reduce number of elementary teachers on lunch duty		\$150,300			
Increase lunch and breakfast prices		\$53,288			
					<b>\$203,588</b>
	<b>Collective Bargaining Issues</b>				
Limit accumulating vacation days			\$22,829		
Switch to another managed care option			\$111,250		
Negotiate a cost sharing for benefits with employees			\$569,000		
Eliminate contributions to retirees			\$171,145		
Switch to SHBP plan during renewal			\$996,115		
Negotiate an increase in co-pays for prescriptions			\$42,000		
Eliminate sick day pay for administrators upon retiring			\$9,975		
Eliminate payment for attainment of Master's degree			\$44,160		
Eliminate multiple longevity payments for administrators			\$66,000		
Increase high school to six-period teaching assignment			\$266,666		
Eliminate payment for attainment of black seal license			\$75,000		
Discontinue payment of shift differentials			\$19,000		
Increase number of work hours for secretarial/clerical			\$48,000		
<b>Total Recommended Savings</b>	<b>(\$230,000)</b>	<b>\$3,838,956</b>	<b>\$2,441,140</b>	<b>\$3,608,956</b>	

\* \$2,441,140 not included in savings of

\$3,608,956.

**Total Amount Raised for School Tax (FY98)**

**\$42,310,692**

**Savings as a % of School Tax**

**8.5%**

**Total Budget (FY98)**

**\$62,950,343**

**Savings as a % of Budget**

**5.7%**

**Total State Aid (FY98)**

**\$18,655,897**

**Savings as a % of State Aid**

**19.3%**

Administration \$822,737

Instruction \$733,864

Facilities \$445,205

Transportation \$739,000

Other \$868,150

Negotiable \$2,441,140

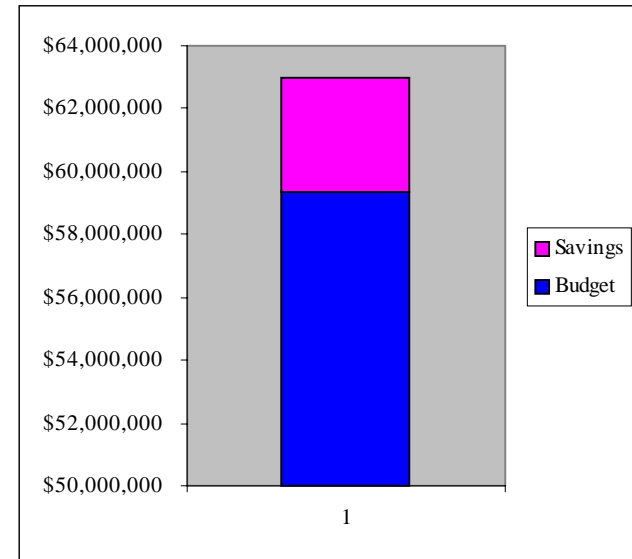
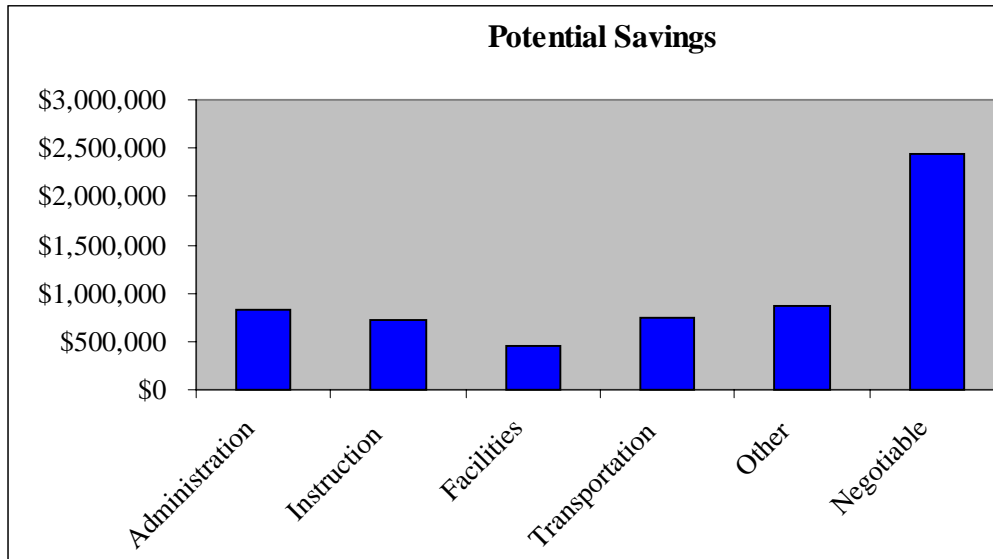
\$62,950,343

(\$3,608,956)

\$59,341,387

Budget \$59,341,387

Savings \$3,608,956





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## COMMUNITY OVERVIEW

The City of Bayonne is located on a peninsula surrounded by New York Bay, Kill Van Kull, and Newark Bay. At its northern boundary is Jersey City; it is a short distance from several larger cities, notably New York City. The community is served by the New Jersey Turnpike, Routes 501 and 169, and the world-famous Bayonne Bridge which connects Bayonne and Staten Island. It is an easy commute to Jersey City, Newark, Elizabeth, Staten Island, and New York City. Bayonne's location and access to the waterfront have made it an important industrial and trade center. In spite of its proximity to urban centers, though, the City of Bayonne maintains many features of a small town, including many neighborhood business districts and well-maintained one- and two-family houses.

According to the 1990 census, Bayonne has the following racial breakdown: 55,571 White; 5,839 of Hispanic Origins; 2,895 Black; 1,130 Asian/Pacific Islander; 81 American Indian; and 1,767 Other. Eighty percent of the population is over 18 years old; the median age of the population is 37.4 years with 15% of the adult population college graduates.

The 1990 census also reports that the median family income was \$41,164 (median household income was \$31,954), the per capita income was \$16,159 with 5,391 in poverty. The median value of a single family home was \$167,500, which represents only about 12% of the total housing units. The overwhelming majority of the units are two-family houses.

Since 1970, Bayonne has experienced a decline in population. As per the New Jersey Municipal Data Book, the 1970 population was 72,743; the estimated 1996 population was 60,499. Bayonne City is 5.39 square miles with a population density of 10,927.5 persons per square mile.

A mayor and council govern Bayonne. The city employs a business administrator/director of finance. Bayonne is designated as a Type I school district.

The student enrollment for the last two years (1996-1997 and 1997-1998) has remained constant. The student enrollment listed in the advertised enrollment portion of the 1998-1999 budget estimates support this trend. For the 1997-1998-school year, the October 15, 1997, actual count was 7,856; the 1996-1997 enrollment was 7,843, and the estimated count for 1998-1999, is 7,857. Although the district has not had an official demographic study since 1993, the district does have a Long-Range Facility Plan for 1995-2000. The 1998-1999 figures are above those of the last two years.

The Bayonne School District consists of ten Kindergarten or Pre-K through eighth grade elementary schools. There is one school designated a gifted and talented school for grades four through eight. There is one high school with a total enrollment of 2,107 for the 1998-1999 school year. As of October 15, 1998, the district had 1,178 special education students (15% of enrollment). Bayonne also has an extensive community involvement commitment evidenced by the large adult education program, after-hours use of school facilities, and the use of the ice rink.

The following table lists the schools, grade-level organization, and the enrollment for the 1998-1999 school year:

SCHOOL	ORGANIZATION (average class size)	1998-1999 ENROLLMENT
Henry E. Harris # 1	K- 8 (21)	556
Philip G. Vroom # 2	Pre-K-8 (20)	496
Walter F. Robinson # 3	K- 8 (20)	463
Mary J. Donohue # 4	K- 8 (19)	360
Lincoln # 5	K- 8 (19)	417
Horace Mann # 6	K- 8 (21)	541
Midtown Community School #8	K- 8 (23)	1,058
Washington # 9	K- 8 (22)	509
Woodrow Wilson # 10	K- 8 (22)	485
John M. Bailey # 12	K- 8 (22)	636
#14	4- 8 (23)	229
Bayonne High School	9-12 (*By Department)	2,107
		<b>TOTAL: 7,857</b>

SCHOOL	* BY DEPARTMENT (average class size)
Bayonne High School	Art 18.75 Business 13.58 English 21.57 ESL 11.00 Industrial Tech/Voc. 19.30 Math 21.65 Music 31.15 Physical Education 47.60 Pre-Vocational 12.30 Science 20.76 Special Education 8.40 World Language 18.99

The average class size for the elementary school is 21.73 students, and the average class size (homeroom) for the high school is 22. The aforementioned statistics do not take into account special subject areas, basic skills, and so forth.

The Bayonne School District employs a total of 939 employees (unaudited). Of that total, 705 are certificated staff members.

The City of Bayonne has been undergoing a transformation since the decline of oil refining and other traditional industries that historically provided job opportunities for the residents. The city is preparing to enter the next century by restyling itself as a “Peninsula of Business and Technology.” Leaders want to begin a new era of development by taking advantage of the light rail service coming in the years 1999 and 2000. They also hope to provide for new economic development in specific areas of the city using the recently acquired *Battleship New Jersey* as one of its attractions. It will be up to the governing body to gain the necessary ratables to redevelop the city. It will be up to the school district to offer outstanding educational programs and courses for the residents to prepare for the opportunities of the next century.

The New Jersey State Department of Education identifies the Bayonne School District as a district factor group “B.” As per the New Jersey School Report Card district factor grouping is a relative indicator of the socioeconomic status of the citizens who reside in a district. It is based on information from the United States Bureau of the Census. The district offers a curriculum that is aligned or is being aligned to the Core Standards. The district is developing plans to prepare the students for the state-developed tests for grades 4, 8, and 11, and offering courses to prepare students for the Scholastic Aptitude Test. Bayonne is proud of the Star School Status of two of its schools, of the recognition given to Bayonne High School as a Best Practice School, of the high school’s selection as one of “New Jersey’s 45 great public high schools” by New Jersey Monthly Magazine, and of the district’s placing in the top 25 New Jersey school districts for technology. The community attributes the awards and recognition to the dedication of the administration, faculty, staff, board of education, and a committed student body.

## **I. Best Practices**

An important part of the Local Government Budget Review (LGBR) report is the Best Practices Section, which recognizes areas in which the district has specific financial savings. During the course of every review, each review team identifies procedures, programs, and practices that are noteworthy and deserving of recognition. Best practices are presented to encourage replication in other school districts throughout the state. By implementing these or similar practices, school districts can benefit from the Local Government Budget Review process and possibly realize considerable savings or improve their own operations.

The prime purpose of the report is to make recommendations for additional cost savings measures; however, the team would be remiss if it did not recognize efforts and practices that the school district already has in place to improve operational efficiency. The areas discussed in this section of the report could assist other districts to model these practices. The Bayonne School District does many things very well; a number of practices deserve recognition. The team was impressed with the variety of educational programs and the dedication and caring of the trustees, administration, educators, staff, parents, community members and the students themselves. They all take great pride in the system and the accomplishments of the student body. The district has been honored and recognized for some of its exemplary practices.

Just as the review team is not able to identify every area of potential savings, the team cannot cite every area of effective effort. Following are those best practices recognized by the team for their accomplishments, cost effectiveness, and possible replication by others:

### **Academy for Professional Development**

The Bayonne School District has taken a proactive approach in the area of professional growth and development. In-service training for staff is provided after school, during released time, or during summer sessions. During the fall of 1998, over 20 courses were offered (a course must have at least 10 participants to run). The courses' stress a variety of areas, but the most popular courses are in the area of technology. The district utilizes district personnel, consultants, and nationally recognized speakers in its effort to provide well-balanced programs. For certain in-service or workshop training sessions, the district grants district credits that can be used toward increased salary compensation. The majority of the money to fund staff development activities comes from grants.

### **Adopt-A-School Program**

The Bayonne School District makes a concerted effort to encourage all schools in the district to get involved in the Adopt-A-School Program. It is a successful and commendable endeavor. Although some schools have experienced more success than others have, the idea is a good one. Each school has experienced some success in the program, but the following stand out:

- The high school has promoted a working relationship with International Matex Tanks Terminals (IMTT) which has resulted in about \$15,000 worth of support on a yearly basis. IMTT grants have supported clubs, concerts, scholarships, and programs. The company, with assistance from the mayor, selects from proposals submitted by the faculty.
- Cas Chem, another Bayonne Company, has adopted an elementary school and sponsored the installation of an intercom system costing \$25,000.

### **Awards/Recognition**

The Bayonne School District actively solicits recognition for its fine programs and schools. Over the last few years Bayonne High School has been cited as a finalist for the National Blue Ribbon Award, a top-10 Star School in New Jersey, a recipient of a Best Practice Award for its outdoor physical education course, and recognition by New Jersey Monthly as one of the top 45 high schools in the state. The Midtown Community School has also been recognized by Redbook magazine as one of America's Best Schools and by the New Jersey Department of Education as a Star School. In addition, the New Jersey Department of Education recognized the Bayonne School District as being among the top 25 schools in technology, for four years in a row. The Bayonne Board of Education won the 1998 Governor's Award in Art Education that was co-sponsored by the New Jersey State Department of Education and the Alliance for Arts Education/NJ.

### **Employee Health Services**

Under the current director of the district's medical department, the district staffs its own employee health services office to assess workers' job-related injuries. Data drawn up by the district's Medical Director and provided to the review team by the director of the medical department, evidenced net savings of \$25,500 in the school year 1996-1997. In addition to the evidenced cost savings achieved, this service affords the district the opportunity to keep itself informed first-hand of work safety issues.

### **Library Resources: Reference and Research**

The director of technology, business education, media and libraries has recently purchased on-line access to extensive reference and research materials for Bayonne High School. This has allowed the high school's library/media center to greatly expand students' access to reference and research materials, providing students with double the number of major newspapers and approximately 60 times the number of magazines and journals previously available to them on campus. The 1998-1999 cost of implementing these changes was \$1,955 over school year 1997-1998 periodical and online research expenditures, and is scheduled to drop to only \$605 more than 1997-1998 cost in school year 1999-2000.

### **Senior Teacher Aides**

The Bayonne School District has an excellent rapport with its senior citizens participating in the Senior Teacher Aides Program. It is a volunteer program that provides an opportunity for senior citizens to work several times per week with the students in the district on a one-to-one basis. The program has about 50 seniors involved in the program, and the district saves an undetermined amount of money by not having to hire as many teacher aides.

### **Swimming Program**

All of the third grade students in the district participate in the district's swimming program held at Lincoln Community School #5. The program is unique and very forward thinking in that the activity is part of the physical education curriculum. By design, the students are exposed to water safety techniques and swimming lessons.

### **Work Rules**

The district has negotiated work rules in its labor agreement with engineers, custodians, bus drivers, and maintenance staff that allow management discretion, and flexible utilization of staff in making daily assignments of duties and responsibilities, and longer term changes in shift and work site assignments. This allows maximum flexibility in the daily allocation of staff to respond to engineer and custodial shortages in schools and district emergencies. Buildings and grounds management staff, have also demonstrated a commitment to provide a safe and clean learning environment and to prioritize emergency building conditions in a responsive manner.

### **Energy Management**

The district has wisely invested capital dollars in the replacement of roofs and windows throughout the district. Even though most Bayonne schools were constructed over 60 years ago, they are "tight and dry", unlike schools in many other urban districts. The district has also invested in an energy management/control system and hosts a central station that monitors and controls the boilers and temperatures in each school. Both initiatives are investments in the safety and comfort of students and staff that improve the learning environment, properly manage the district's resources, and protect the district's capital assets while lowering operating costs. The district's 1998 fiscal year cost for gas and electric to light, heat, and cool its buildings was \$.97 per square foot, which represents annual cost savings of approximately \$167,500 over the regional average of \$1.10 per square foot.

### **Special Education**

The Bayonne School District's special education population is about 14% in the elementary schools and 19% in the high school. The district conducts several exceptional special education programs, which bear mentioning, and have, in fact, attracted tuition-students from surrounding districts.

- *Project Independence*

Project Independence is a Special Services program for some of the district's more severely developmentally disabled students. Its purpose is to provide these students with vocational and life skills training so that they may function independently in society and become gainfully employed. Approximately 40 mentally retarded or multiply handicapped students participate in the program, which is housed within one of the district's elementary school buildings. The program originally was established for students ages 14 to 21, but has recently expanded to include those eight and above.

The program encompasses all facets of independent living, including home living skills, employment orientation, building maintenance skills, supermarket careers, child care, office skills, and community exploration. The students work within a controlled environment, which

facilitates their success at the given task. The team visited the school and observed each of the programs. Students in various classes were observed sorting papers, adding numbers on adding machines, sweeping hallways, cooking, baking, washing dishes, learning about survival signs, e.g., high voltage, wet paint, keep off the grass, etc., pricing grocery items, and completing craft projects. During the weekly community exploration component, the students visit various businesses in the area, e.g., restaurants, supermarkets, and movie theaters. This provides an opportunity for them to observe and apply the skills they have learned in a real working environment. It was apparent that the Project Independence students are proud of their accomplishments and demonstrated abilities.

- *Autistic Classes*

The Bayonne School District educates the vast majority of its special needs students, even those with more severe handicaps, within district. This is frequently not the case in other districts, and the team commends Bayonne for its efforts in this regard. The team makes particular note of the classes provided in-district for students with autism, begun about six years ago. Based upon data provided by the special services office, the team estimates that educating 23 students with autism in-district saves the district a minimum of \$346,000 per year. The district has recently returned some multiply handicapped students to in-district classes for additional savings as well.

## **II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS**

The purpose of this section of the review report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found that the district has made an effort to control costs and to explore areas of cost saving efficiencies in its operations. Several of these cost savings are identified in the best practice section of this report. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced costs or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude to illustrate cost savings. The time it will take to implement each savings recommendation will depend on its priority. Nevertheless, the total savings and revenue enhancements should be viewed as attainable goals. The team realizes that some of the recommendations will be subject to collective bargaining and may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control, and revenue enhancement.

In some cases, recommendations may result in increased costs. When this occurs, these costs will be identified and included in the total savings calculations.

### **COMPARATIVE ANALYSES**

Many of the recommendations contained in this report are based upon comparative analyses using New Jersey Department of Education data in comparison with districts of similar size and demographics (socio-economic district factor groups - DFG). The comparative data used in this report was compiled in school year 1996-1997, which was current at the time of the review. Other data sources are obtained from district documents, various state agencies, state education associations, publications and private industry. School districts used for comparison with Bayonne include North Bergen, Plainfield, and West New York. The following table (Table 1) illustrates data, which compare revenue sources based upon the district's Comprehensive Annual Financial Report (CAFR):



TABLE 1

Revenues	<u>Bayonne</u>		<u>Plainfield</u>		<u>North Bergen</u>		<u>West New York</u>	
Local Tax Levy	\$42,310,692.00	55.0%	\$17,683,906.00	25.2%	\$28,159,040.00	57.0%	\$12,609,783.00	22.3%
State Aid	\$19,233,762.00	25.0%	\$47,932,237.00	68.2%	\$16,801,313.00	34.0%	\$40,556,232.83	71.7%
Federal Aid	\$60,830.00	0.1%	\$61,130.00	0.1%	\$66,122.00	0.1%		0.0%
Other	\$1,090,827.00	1.4%	\$1,081,485.00	1.5%	\$2,028,323.00	4.1%	\$421,341.94	0.7%
<b>Total General Fund</b>	<b>\$62,696,111.00</b>	<b>81.5%</b>	<b>\$66,758,758.00</b>	<b>95.0%</b>	<b>\$47,054,798.00</b>	<b>95.2%</b>	<b>\$53,587,357.77</b>	<b>94.7%</b>
Special Revenue Fund								
State Aid	\$812,649.00	1.1%	\$681,592.00	1.0%	\$173,221.00	0.4%	\$538,635.96	1.0%
Federal Aid	\$2,172,817.00	2.8%	\$2,338,496.00	3.3%	\$1,330,204.00	2.7%	\$2,318,221.95	4.1%
Other	\$44,167.00	0.1%		0.0%	\$8,598.00	0.0%		0.0%
<b>Total Revenue Fund</b>	<b>\$3,029,633.00</b>	<b>3.9%</b>	<b>\$3,020,088.00</b>	<b>4.3%</b>	<b>\$1,512,023.00</b>	<b>3.1%</b>	<b>\$2,856,857.91</b>	<b>5.1%</b>
Debt Service								
Local Tax Levy		0.0%	\$327,000.00	0.5%	\$575,009.00	1.2%		0.0%
State Aid	\$57,725.00	0.1%	\$194,042.00	0.3%	\$269,588.00	0.5%		0.0%
<b>Total debt Service</b>	<b>\$57,725.00</b>	<b>0.1%</b>	<b>\$521,042.00</b>	<b>0.7%</b>	<b>\$844,597.00</b>	<b>1.7%</b>	<b>\$0.00</b>	<b>0.0%</b>
Fiduciary Fund								
State Aid		0.0%		0.0%		0.0%		0.0%
Federal Aid		0.0%		0.0%		0.0%		0.0%
Other	\$139,539.00	0.2%		0.0%		0.0%	\$119,653.65	0.2%
<b>Total Fiduciary fund</b>	<b>\$139,539.00</b>	<b>0.2%</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$119,653.65</b>	<b>0.2%</b>
Capital Projects								
Intergovernmental Revenue	\$10,989,000.00	14.3%		0.0%		0.0%		0.0%
Other		0.0%		0.0%		0.0%		0.0%
<b>Total Capital Projects</b>	<b>\$10,989,000.00</b>	<b>14.3%</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$0.00</b>	<b>0.0%</b>	<b>\$0.00</b>	<b>0.0%</b>
<b>Total Revenues (All Funds)</b>	<b>\$76,912,008.00</b>	<b>100%</b>	<b>\$70,299,888.00</b>	<b>100%</b>	<b>\$49,411,418.00</b>	<b>100%</b>	<b>\$56,563,869.33</b>	<b>100%</b>

Source: School District's 1996-97 Comprehensive Annual Financial Report (CAFR)

With the exception of Bayonne and North Bergen, most of the revenue for the general fund in each of the comparison districts comes from state aid. Bayonne and North Bergen school districts' major source of revenue for their general funds comes from local tax. Since Bayonne is a Type I school district, the school received intergovernmental revenue from the municipality for its school capital projects.

The following table (Table 2) illustrates data, which compares general fund expenditures based upon the district's Comprehensive Annual Financial Report (CAFR) and the NJ Comparable Spending Guide 1999:

TABLE 2

	<u>Bayonne</u>		<u>Plainfield</u>		<u>North Bergen</u>		<u>West New York</u>	
Regular Program - Inst.	\$17,418,592.00	27.5%	\$19,320,645.00	29.8%	\$17,647,457.00	35.1%	\$19,851,509.62	36.1%
Special Education	\$6,706,853.00	10.6%	\$3,360,613.00	5.2%	\$2,887,175.00	5.7%	\$1,779,747.57	3.2%
Basic Skills-Remedial	\$4,709,153.00	7.4%	\$3,046,955.00	4.7%	\$2,052,277.00	4.1%	\$1,632,528.61	3.0%
Bilingual Education	\$475,521.00	0.8%	\$954,172.00	1.5%	\$1,122,359.00	2.2%	\$2,025,464.98	3.7%
Sponsored Cocur.r Activit.	\$73,289.00	0.1%	\$108,456.00	0.2%	\$103,278.00	0.2%	\$79,374.05	0.1%
Sponsored Athletics	\$393,609.00	0.6%	\$441,848.00	0.7%	\$533,746.00	1.1%	\$261,611.70	0.5%
Other Instruction Prog.- Voc.	\$924,128.00	1.5%	\$650,768.00	1.0%		0.0%		0.0%
Community Services Prog.	\$92,876.00	0.1%	\$35,524.00	0.1%		0.0%	\$981,425.80	1.8%
<b>Total Instructional Cost</b>	<b>\$30,794,021.00</b>	<b>48.7%</b>	<b>\$27,918,981.00</b>	<b>43.0%</b>	<b>\$24,346,292.00</b>	<b>48.4%</b>	<b>\$26,611,662.33</b>	<b>48.4%</b>
Undistributed Exp. - Ins.	\$1,283,972.00	2.0%	\$3,899,723.00	6.0%	\$2,581,924.00	5.1%	\$4,371,177.27	8.0%
General Administration	\$1,948,569.00	3.1%	\$884,323.00	1.4%	\$1,411,961.00	2.8%	\$1,656,174.62	3.0%
School Administration	\$2,702,888.00	4.3%	\$3,088,876.00	4.8%	\$3,122,162.00	6.2%	\$1,939,015.61	3.5%
<b>Total Admin. Cost</b>	<b>\$4,651,457.00</b>	<b>7.4%</b>	<b>\$3,973,199.00</b>	<b>6.1%</b>	<b>\$4,534,123.00</b>	<b>9.0%</b>	<b>\$3,595,190.23</b>	<b>6.5%</b>
Food Service	\$276,916.00	0.4%	\$259,432.00	0.4%	\$27,121.00	0.1%		0.0%
Health Service	\$870,097.00	1.4%	\$592,893.00	0.9%	\$464,082.00	0.9%	\$576,902.60	1.0%
Attend. & Soc. Work Ser.	\$255,586.00	0.4%	\$110,015.00	0.2%	\$243,938.00	0.5%	\$192,650.00	0.4%
Other support Service	\$2,329,073.00	3.7%	\$2,906,904.00	4.5%	\$1,708,968.00	3.4%	\$1,513,858.79	2.8%
Other - Imp. of Inst. Ser.	\$1,100,704.00	1.7%	\$1,009,827.00	1.6%	\$526,701.00	1.0%	\$1,132,831.77	2.1%
Media Ser./Sch. Library	\$438,271.00	0.7%	\$728,684.00	1.1%	\$406,293.00	0.8%	\$648,656.47	1.2%
Imp. of instructional Ser.	\$0.00	0.0%						
Operation of Plant	\$6,448,714.00	10.2%	\$7,289,780.00	11.2%	\$4,807,707.00	9.6%	\$4,846,692.77	8.8%
Business & Other Sup. Ser.	\$9,554,249.00	15.1%	\$8,471,169.00	13.0%	\$6,521,214.00	13.0%	\$5,320,939.49	9.7%
<b>Total Support Services</b>	<b>\$21,273,610.00</b>	<b>33.6%</b>	<b>\$21,368,704.00</b>	<b>32.9%</b>	<b>\$14,706,024.00</b>	<b>29.3%</b>	<b>\$14,232,531.89</b>	<b>25.9%</b>
TPAF Pension	\$984,644.00	1.6%	\$1,000,510.00	1.5%	\$0.00	0.0%	\$857,598.00	1.6%
Reimb. TPAF SS Contrib.	\$2,585,275.00	4.1%	\$2,359,793.00	3.6%	\$0.00	0.0%	\$2,246,037.83	4.1%
Transportation	\$1,171,823.00	1.9%	\$2,740,912.00	4.2%	\$2,218,346.00	4.4%	\$1,066,625.52	1.9%
Capital Outlay	\$210,873.00	0.3%	\$1,034,227.00	1.6%	\$1,733,084.00	3.4%	\$1,867,847.45	3.4%
Special Schools	\$271,584.00	0.4%	\$633,161.00	1.0%	\$135,152.00	0.2%	\$122,744.78	0.2%
<b>Total Gen. Fund Expend.</b>	<b>\$63,227,259.00</b>	<b>100%</b>	<b>\$64,929,210.00</b>	<b>100%</b>	<b>\$50,254,945.00</b>	<b>100%</b>	<b>\$54,971,415.30</b>	<b>100%</b>
<b>Avg. Daily Enrollment</b>	<b>7,666</b>		<b>6,907</b>		<b>6,519</b>		<b>5,824</b>	

Source: School district's 1996-7 CAFR and NJ Department of Education Comparative Spending Guide 1998

The following table (Table 3) indicates the comparative per pupil costs for the 1996-97 school year:

**TABLE 3**

	<u>Bayonne</u>	<u>Plainfield</u>	<u>North Bergen</u>	<u>West New York</u>
Total Cost Per Pupil	\$7,540	\$7,687	\$6,526	\$7,550
Total Classroom Instruction	\$4,799	\$4,620	\$4,099	\$4,959
Classroom Salaries & Benefits	\$4,621	\$4,434	\$3,814	\$4,541
Classroom General Supplies & Textbooks	\$150	\$153	\$231	\$365
Classroom Purchased Services & Other	\$28	\$33	\$54	\$53
Total Support Services	\$612	\$730	\$488	\$573
Support Services Salaries & Benefits	\$566	\$682	\$451	\$513
Total Administrative Cost	\$992	\$1,022	\$1,000	\$914
Salaries & Benefits for Administration	\$829	\$841	\$822	\$759
Operations & Maintenance of Plant	\$949	\$1,149	\$790	\$864
Salaries & Benefits for Oper./Maint. Of Plant	\$553	\$634	\$481	\$281
Food Service	\$37	\$44	\$5	\$0
Extracurricular Cost	\$69	\$91	\$103	\$64
Equipment	\$28	\$71	\$29	\$225
Student/Teacher Ratio	14	15	17	14
Median Teacher Salary	\$59,000	\$55,635	\$52,100	\$54,920
Student/Support Service Ratio	107	105	130	133
Median Support Service Salary	\$60,500	\$57,395	\$68,175	\$66,525
Student/Administrator Ratio	168	150	211	155
Median Administrator Salary	\$77,030	\$75,109	\$91,229	\$77,120
Faculty/Administrator Ratio	14	12	14	12
Personal Ser.-employee Benefits	19.9%	18.0%	16.6%	17.1%

Source: NJ Department of Education Comparative Spending Guide - 1998 and 1999

**\*\* The total cost per pupil is calculation as the total current expense budget plus certain special revenue funds, particularly early childhood programs, demonstrably effective programs, distance learning network costs and instructional supplement costs. The calculation does not include the local contribution to special revenue, tuition expenditures, and interest payments on the least purchase of buildings, transportation costs, residential costs and judgments against the school district. Also excluded from this per pupil calculation are equipment purchases, facilities acquisition and construction services, expenditures funded by restricted local, state and federal grants, and debt service expenditures.**

A comparison of Bayonne's per pupil costs with those of Plainfield, North Bergen and West New York, based on the Comparative Spending Guide (Table 3), illustrates that, overall, Bayonne's cost are in the median ranges. Individual line comparisons reflect some costs as being higher while other costs are lower. Total classroom salaries and benefits, median teacher salary and personal services employee benefits are higher than other districts while classroom general supplies and textbook, classroom purchased services and other and equipment are lower than other districts. The total support services, support services salaries and benefits, salaries and benefits for administration, operations and maintenance of plant, salaries and benefits for operation/maintenance of plant, and food service are ranked the second highest among the comparable schools.

In the 1998 and 1999 Comparative Spending Guide Bayonne is grouped with 84 K-12 districts with enrollments of 3,500+ students. The following table (Table 4) indicates Bayonne's rank in selected cost categories for the school years 1995-96, 1996-97 and 1997-98:

TABLE 4						
	1995-96		1996-97		1997-98	
	Actual	Ranking	Actual	Ranking	Actual	Ranking
Cost Per Pupil	\$7,006.00	26	\$7,540.00	42	\$7,725.00	35
Classroom Instruction	\$4,383.00	25	\$4,799.00	45	\$4,651.00	41
Classroom Salaries & Benefits	\$4,189.00	26	\$4,621.00	49	\$4,425.00	40
Classroom General Supplies & Textbook	\$177.00	57	\$150.00	33	\$176.00	45
Purchased Services & Other	\$17.00	18	\$28.00	27	\$49.00	45
Support Services	\$593.00	21	\$612.00	25	\$860.00	49
Support Ser. Salaries & Benefits	\$561.00	24	\$566.00	25	\$799.00	59
Total Administrative Cost	\$1,006.00	47	\$992.00	42	\$1,012.00	42
Salaries & Benefits for Admin.	\$828.00	45	\$829.00	48	\$835.00	49
Operations & Maint.	\$883.00	38	\$949.00	54	\$990.00	61
Salary & Benefits for Oper./Maint.	\$518.00	48	\$553.00	59	\$594.00	69
Food Service	\$35.00	31	\$37.00	29	\$40.00	29
Extracurricular Cost	\$68.00	7	\$69.00	6	\$76.00	10
Median Teacher Salary			\$59,000.00	67	\$51,700.00	41
Median Support Service Salary			\$60,500.00	50	\$60,500.00	49
Median Administrator Salary			\$77,030.00	18	\$77,030.00	8
<b>Ranked High Ratio to Low</b>						
Student/Administrator Ratio			167.7	54	170.1	57
Faculty/Administrator Ratio			13.6	55	14.4	48

Source: 1998 & 1999 N.J.D.O.E. Comparative Spending Guide, Total of 84 School Districts.

Bayonne was compared to the other 84 school districts, grade K-12 with more than 3,500 students, ranked low (1) to high (84), using the 1998 and 1999 Comparative Spending Guide published by the New Jersey State Department of Education. The cost per pupil for Bayonne School District was ranked 26<sup>th</sup> in 1995-96, 42<sup>nd</sup> in 1996-97 and 35<sup>th</sup> in 1997-98. A ranking of above 42 would reflect a higher cost than the midpoint and a ranking of lower than 42 would reflect costs below the midpoint of the 84 districts. An examination of Table 4 reflects Bayonne's standing when compared with the 84 like enrollment/grade configuration districts.

The total cost per pupil in Bayonne for 1995-96 was \$7,006 and in 1996-97 the total cost per pupil was \$7,540, while the state average cost for K-12 school was \$7,683 in 1995-96 and \$7,712 in 1996-97. Bayonne School District's cost per pupil was 8.8% in 1995-96 and 2.2% in 1996-97 below the state average as compared to similar district types.

It is important to note that the Department of Education's Comparative Spending Guide is developed based on the information contained in the Comprehensive Annual Financial Report submitted by all school districts in the state. The team observed that some of Bayonne's accounting records were incorrectly posted. This may affect the accuracy of the rankings in the Comparative Spending Guide.

Using the NJ School Report Card and the Comprehensive Annual Financial Report (CAFR), the following table (Table 5) provides additional comparative data used in this report:

**TABLE 5**

<b><u>Description</u></b>	<b><u>Bayonne</u></b>	<b><u>Plainfield</u></b>	<b><u>North Bergen</u></b>	<b><u>West New York</u></b>
County	Hudson	Union	Hudson	Hudson
District Type	I	II	II	I
Grades	K-12	K-12	K-12	K-12
District Factor Group	B	B	B	A
Cert Employees	656	599	495	501
Other Employees	266	291	256	145
Total Employees	922	890	751	646
Square Miles	5.39	6.25	5.1	1.05
Number of Schools				
Elementary	10	11	6	6
Middle	0	2	0	0
High School	1	1	1	1
Adult High	0	1	0	0
Alternative Sch.	0	0	0	0
Total Schools	11	15	7	7
Average Daily Enrollment	7,666	6,907	6,519	5,824
Teacher/Student Ratio				
Elementary	1:14.19	1:13.54	1:15	1:13
Middle School	N/A	1:11.41	N/A	N/A
High School	1:11.2	1:9.82	1:15	1:15
Administrative Personnel				
Number of Administrators	45	47	31.7	38.5
Administrator per Students	1:167.7	1:148.7	1:211.4	1:156.2
Administrator/Faculty Ratio	1:13.6	1:11.8	1:14.2	1:12.3
Median Salary				
Faculty	\$59,000	\$56,135	\$54,550	\$57,020
Administrators	\$77,030	\$75,109	\$91,229	\$77,120
Median Years of Experience				
Faculty	17	16	18	18
Administrators	26	24	27	26
Scholastic Assessment Test Results				
Average Math Score 1996-97	457	411	453	422
Average Verbal Score 1996-97	455	396	446	422
Post-Graduation Plans				
4 year College/University	52%	41%	48%	58%
2 year College	16%	15%	24%	17%
Other Post-Secondary School	10%	6%	4%	11%
Military	4%	3%	6%	6%
Full-time employment	10%	17%	13%	5%
Undecided	8%	18%	5%	3%

Source: 1996-97 school report card, CAFR and 1998 N.J. Department of Education Comparative Spending Guide

## **Administration**

### **Organization**

During the 1998-1999 school year the organization for administrative personnel is as follows:

Superintendent of Schools

Assistant Superintendent for Administration

Assistant Superintendent for Curriculum

Principals:

One High School

11 Elementary

Vice Principals:

Six High School

One Elementary

Directors (17)

Supervisor (1)

School Business Administrator/Acting Board Secretary

As per the New Jersey Department of Education's 1998 Comparative Spending Guide, among the 84 school districts, Bayonne ranked 39<sup>th</sup> (ranked low to high) in Total Administration Costs with \$990 per pupil in 1997-1998, \$950 in 1996-1997, and \$1,006 in 1995-1996. Salaries and benefits for administration ranked 37<sup>th</sup> in 1997-1998, 43<sup>rd</sup> in 1996-1997, and 45<sup>th</sup> in 1995-1996. The student/administrator ratio was 170:1 (57<sup>th</sup>) in 1997-1998 and 168:1 (54<sup>th</sup>) in 1996-1997. The faculty/administrator ratio was 14:1 (48<sup>th</sup>) in 1997-1998 and 14:1 (55<sup>th</sup>) in 1996-1997.

### **School Administration**

The district has 11 elementary schools (Grades Pre-K through 8, Grades K through 8, and Grades 4 through 8 Gifted and Talented), with each school having a principal. The largest elementary school also has a vice-principal. The principals of four of the elementary schools work 12 months a year while the remaining principals work 10 months per year. The high school (Grades 9 through 12) has one 12 month principal and six vice-principals each assigned to one of the six houses in the high school complex. The work schedule for two of the vice-principals is 12 months; it is 10 months for the remaining vice-principals. If a 10 month administrator is asked to work for a period of time during July and/or August, that administrator is paid 1/200<sup>th</sup> of the annual salary for the next school year for each day worked. The support assigned to this level of administrators will be reviewed later in this section under support staff.

The administrative staff in the elementary schools is within the guidelines recommended in the Comprehensive Plan for Educational Improvement and Financing and found in the Comparative Spending Guide published by the New Jersey Department of Education. In some cases the administrative span of responsibility is less than that recommended in the model, allowing for some reorganization of duties and responsibilities. The high school complex has six vice-principals in charge of the six houses. The number of vice-principals assigned to the high school exceeds the model developed by the New Jersey Department of Education by two.

## **Recommendation:**

**The LGBR team recommends the reduction of two vice-principals at the high school. The superintendent and the principal of the high school should revise the plan to meet the needs of the school using four vice-principals. The plan should be developed to define clearly areas of responsibility as well as line and staff relationships.**

**Cost Savings: \$166,000**

## **Directors and Supervisors**

The Bayonne School District has 17 directors and one supervisor. The district has a generic job description for curriculum directors, which lists the responsibilities for the position. The positions are as follows:

- Director of English/Language Arts (10 months)
- Director of Early Childhood (10 months)
- Director of Athletics/Ice Rink (12 months)
- Director of World Languages and ESL/Bilingual (10 months)
- Director of Community Education (10 months)
- Director of Nurses (12 months)
- Director of Science (10 months)
- Director of Testing, Research, and Evaluation (12 months)
- Director of Special Services (12 months)
- Director of Inst. Tech./Library and Media/Business Education (12 months)
- Director of Mathematics (12 months)
- Director of Title I (10 months)
- Director of Gifted/Talented (12 months)
- Director of Music and Art (12 months)
- Director of Social Studies (12 months)
- Director of Health and Physical Education (10 months)
- Director of Student Personnel Services (12 months)
- Supervisor of Special Services (12 months)

The directors have varying amounts of primary supervision and evaluative responsibilities. While some directors do not have any supervisory and/or evaluative responsibility, others have more than 30 staff members to supervise and evaluate. After interviewing administrators/directors and reviewing the responsibilities/duties of the directors, there was evidence of an overlapping of duties and the possibility of consolidating positions. As a result of the aforementioned process, comparing districts of similar size, and our overall experience, the LGBR team believes that the total number of directors could be reduced by at least three.

## **Recommendation:**

**Although the district has experienced a reduction in the number of directors over the last few years, the LGBR team recommends that the district review and analyze the assignments, duties, and responsibilities of the directors and reduce the total number of directors by three or more positions.**

**Cost Savings: \$240,650**

## **Staffing**

As per the New Jersey Department of Education's 1998 Comparative Spending Guide, among the 84 operating type K-12 with more than 3,500 students, Bayonne ranked 70<sup>th</sup> (ranked high to low) in the ratio of students to teacher. Bayonne's ratio of students to teacher was 13.3:1 in 1997-1998 and 14.0:1 in 1996-1997. The average class size of the 84 operating school districts listed in the 1996-1997 New Jersey School Report Card was 22 for elementary schools and 21 for high schools. Seven of Bayonne's elementary schools are at the average or below, while four elementary schools average slightly higher. Bayonne High School has an average class size that is below the average class size in the 84-member control group.

Comparing median teacher salaries of the K-12 school districts with over 3,500 pupils, Bayonne's median salary for 1997-1998 ranked 40<sup>th</sup> (\$51,700) and for 1996-1997 ranked 66<sup>th</sup> (\$59,000). The aforementioned salaries were ranked from low to high. A large number of teachers are at the top of the guide, and the district will be faced with the task of replacing a number of veteran staff members in the next several years.

A review of teacher utilization reflects adequate staffing to meet the needs of the students and the district. Class size is well within the range listed for comparable districts.

## **Support Services**

The support services in this portion of the report include personnel assigned to central office/business office, high school, directors, and the secretarial pool/processing center. Unless otherwise stated, the district classifies all secretaries with the generic title secretary/clerk. There are approximately 71 secretary/clerks in the district.

The district maintains a secretary/clerk pool of nine employees, one of whom is a supervisor. The secretary/clerks are assigned to the processing center until a need arises in the district for their services. Members of the pool are then assigned on a need-basis as per the request. Even though the processing center produces 7,000,000 copies per year, the number of secretary/clerks assigned is excessive and can be reduced.

Each principal in the elementary schools has one secretary/clerk except in school #8, which has two. The high school principal has three secretary/clerks assigned to the main office; one has security system responsibilities. The six vice-principals at the high school each have one secretary/clerk. The directors have a varying amount of secretarial/clerical help. The director of Title I has three secretary/clerks; the director of student personnel services has three; the director of special services and the supervisor have four; and the director of testing, research, and



evaluation has two. The following directors each have one secretary/clerk: nurses, technology/business education/media/library, community education, athletics/ice rink, and employee health services. One secretary/clerk and one secretary/bus driver are assigned to the superintendent of building and grounds.

The secretary/clerks work either a 10 month or a 12 month contract. All work a school calendar, and the 12 month employees are paid for 11 months, but over a 12 month period. The 22 vacation days that the 12 month employees receive are unpaid leave.

The LGBR supports the concept of a secretary/clerk pool if all members of the pool have the necessary typing and word processing skills. However, the district does not fully capitalize on the concept. Permanent secretary/clerks are assigned to specific administrators, but the district does not have a model or policy for the number permanently assigned. If the district follows the pool concept, it should only assign a minimum of permanent staff to the directors having multiple secretary/clerks, and, at peak times, allow for additional assistance from the pool. However, considering the workload and areas of responsibilities of some directors, it would be prudent to allow for some permanent assignments. The superintendent and the administrative team should develop written guidelines for the use and assignment of the secretary/clerk pool and the criteria for assigning permanent staff to all administrators. The team believes that the district could combine positions to reduce unneeded and redundant responsibilities. Overtime costs could also be reduced by developing flex-hour assignments.

### **Recommendations:**

**The LGBR, based on comparison with districts of like size, interviewing school personnel, and our experience, recommends reduction of the number of secretary/clerks assigned to the high school by two. The secretary/clerk positions can be eliminated due to the reduction of two high school vice-principal positions. Reorganizing the main office can eliminate another position.**

**Cost Savings: \$80,325**

**The LGBR recommends that the secretary/clerk pool personnel be trained to be competent in all facets of the job so that the concept of a secretary/clerk pool will be more viable.**

**The LGBR believes that the secretary/clerk pool in the processing center should be reorganized and the number of staff reduced by three.**

**Cost Savings: \$83,441**

The support services for the central office administrators and the business office consist of the following assigned personnel:

*Superintendent's Office*

One administrative assistant to the board of education and three secretary /clerks

*Assistant Superintendent for Administration*

One secretary/clerk and one part time secretary/clerk

*Assistant Superintendent for Curriculum*

Two secretary/clerks

*Business Administrator/Acting Board Secretary*

Two secretary/clerks, six secretary/clerks (accounts payable department), two secretary/clerks (payroll department), two secretary/clerks (computer services department), one manager of the computer department, one bookkeeper, one shared secretary/clerk with the board counsel, and one accountant (vacant)

The 10 month secretary/clerk is part of the bargaining unit of the Bayonne Teachers' Association that sets salary and benefits. The central office 12 month secretary/clerk is covered by a board of education resolution.

#### **Recommendations:**

**Review all assignments of business office staff and central office staff to ascertain duplication of effort and for the purpose of reorganizing personnel. The process will also curtail the use of overtime approved for 12 month employees assigned to the aforementioned offices. The regular use of overtime can be reduced drastically by developing flex-hour assignments as the work load dictates.**

**Cost Savings: \$43,554**

**Recommendations regarding the accounts payable department are specifically addressed elsewhere in the report.**

#### **Attendance Officers**

The district employs five attendance officers. Two of the officers are assigned to the high school, and three are assigned to the elementary schools. They are required to check for truancy, legal or illegal absences, and residency requirements; to issue working papers; to register students; and to complete a monthly report. All attendance personnel are designated as 12 month employees but are paid for only 11 months, but over a 12 month period.

#### **Recommendation:**

**Based on a review of the workload, the amount of overtime, and the clerical responsibilities, the team recommends that the department be reduced by two attendance officers. The reassigning of clerical duties and responsibilities to secretary/clerks in the schools and to the secretary/clerk pool would be more appropriate and much more efficient by allowing the attendance officers to devote more time to the normal responsibilities of an attendance officer.**

**Cost Savings: \$61,437**

### **Overtime/Extra Pay**

Based on the information received from the business office and using overtime sheets, it is apparent that the district has a history of paying overtime to its employees. It was noted that overtime was prevalent in a wide range of job categories (e.g., administration, secretary/clerks, teachers, bus drivers, custodians, engineers, etc.). Overtime listed was for time and one-half pay and per diem remuneration for summer work and/or summer school. The overtime sheets supplied by the district indicate that the cost for 1997-1998 school year was more than \$650,000. A thorough analysis should be made to justify the overtime costs to the district, and a strategy and procedure must be developed to reduce the overtime liability to Bayonne.

In addition to overtime, the district pays many 10 month and 12 month employees extra pay for extra work, additional work responsibilities, and other items specified by contractual language in negotiated contracts. The extra pay cost the district more than \$264,000 for the 1997-1998 school year. Much of the extra pay is to support athletic endeavors and supervision responsibilities. However, the entire budget for extra pay should be reviewed to determine whether this area of the budget could be reduced.

### **Recommendations:**

**The LGBR recommends that the superintendent, board of education, and the administrative team address the issue of overtime pay and develop a viable plan or strategies to reduce or eliminate overtime payments. In some cases overtime was 10-25% of the base salary of an employee. The specifics of the overtime cost to the district will be discussed in the appropriate sections of this document.**

**The LGBR recommends that in future negotiations a stipend be set for summer curriculum work or summer school rather than a per diem rate that is set by each individual's salary. This method of remuneration is used in many school districts throughout the state. The savings derived from this approach are substantial.**

### **Photocopy Management**

The Bayonne School District maintains an inventory of close to 50 photocopiers within its facilities. Three of these copiers are high production models located in a central processing center within the central office. The processing center is used by all the schools to produce multiple and/or complex copies. This is an efficient cost-saving practice for which the district should be commended. These three copiers make in excess of 6 million copies per year. In addition, each school has a cost-efficient Risograph machine which teachers reportedly use to make between 25 and 75 simple copies for their classroom use.

The team reviewed available information on the assignment and usage of the other copiers throughout the district. Aside from the Risograph, each elementary school has between one and three copiers. The high school has approximately eight copiers in use. In addition, there is one copier in the community education/ice rink facility, one in the Title I office, and another at the transportation/repair facility.

**Recommendation:**

Obviously, each separate facility needs at least one copier. Beyond that, however, the review team recommends that the district consider standardizing the number of copiers to one per elementary school, plus the Risograph. The exception to this within the elementary schools may be for those housing child study teams if they truly require their own copiers. The high school should be able to eliminate several of its copiers as well. The district should also ensure that it “right-sizes” those copiers it does retain. For example, one school is utilizing a copier with the capacity to produce 35,000 copies per month, and only 1,000 are reportedly made. While convenient, the maintenance and usage of additional and/or excessively large-capacity copiers can be an unnecessary cost expense to the district. Based upon the cost information available to the team, it was difficult to determine actual costs associated with every copier. In some cases the team was informed that PTO’s or other individuals or groups had donated the copiers. Using available average repair, maintenance, and supply figures, and for replacement purposes, the conservative cost of a modest convenience copier recently purchased by one of the schools, the team estimates that elimination of the “excess” 10 copiers should result in both cost savings and future replacement cost avoidance. Where PTO’s and others had donated the equipment, the district should encourage alternate gifts to the schools in the future.

**Cost Savings: \$49,830**

Where copiers are not eliminated, there are also savings to be realized through the use of the state’s cost-per-copy contract. Under this contract, government entities including school districts procure *photocopies* rather than *photocopiers*. The district does not purchase or lease the equipment, but rather purchases copies at a cost based upon speed bands, or the number of anticipated copies to be made each month. All supplies other than paper and staples are included in this cost. Utilization of the cost-per-copy contract has generally proven to be a more cost efficient practice. This contract is intended to be used where fewer than 100,000 copies per month are made. The team was able to review actual usage and cost information for several of the copiers. In so doing, the team analyzed such costs against the state’s cost per copy contract. In particular, the team analyzed the copiers in the Title I office, the community education facility, and the transportation/repair facility. If the district were to utilize the state’s cost-per-copy contract for its photocopying needs in these three facilities, it would save approximately \$3,000 per year.

**Recommendation:**

The team recommends that the district consider utilizing the state’s cost-per-copy contract at least in these three instances. Consideration should also be given to using this contract to meet the district’s copying needs within the schools when and where feasible for possible additional savings.

**Cost Savings: \$3,000**

### **Communications/Telephones**

Based on the audit report, the district expended \$150,217 in 1996-97 and \$241,920 in 1997-98 for communication/telephone cost charges. According to the Department of Education Budget Guideline, all telephone expenses, postage equipment rental, and postage expenses should be recorded in the communications/telephones account. The team analyzed the communication cost for 1996-97 and 1997-98 school years. The analysis revealed that the postage expenses of \$38,179 for school year 1996-97 and \$25,645 for school year 1997-98 was not recorded appropriately. The district reported the postage expenses as part of the general supplies and materials expense. Therefore, the actual communication/telephone costs for school year 1996-97 and 1997-98 should be \$188,396 and \$266,935, respectively. The district's communication/telephone costs have increased more than 41% over this period and are considered to be excessive.

The school district has more than 288 telephone lines, which include telephones located in all teacher lounges. In reviewing the costs associated with the telephone service, the team looked at the reimbursement procedure for personal usage by employees. It was revealed that there was no reimbursement procedure set up by the board. The team has found extensive abuse of telephone usage. This is illustrated by several examples:

- Collect calls were accepted from out of the state or country (e.g., New York, Pennsylvania and England). One 19 minute collect call from England was accepted at one of the phones located in the teacher's lounge and cost the district \$95. The district spent a total of \$495 in collect calls from England and \$265 from other states.
- Staff members stayed on the phone for extended periods of time. One telephone call was made to Ridgewood for more than 148 minutes. Staff members were on the telephones, in some instances, for more than half an hour. A number of telephone calls were frequently made to Spring Lake, Ridgewood, Livingston, Summit, Point Pleasant, Unionville and Plainfield.
- Calls to some numbers were made daily or sometimes several times a day.
- For school year 1997-98, the district expended \$4,968 for directory assistance calls. The telephone company charged 35 cents for each assistance call.

Seventeen cellular phones were issued to the attendance office, athletic department, repair department, and top administrative staff. The district is paying a basic charge of \$15 to \$43 per month for each cellular phone. Cellular phones should be used for emergency calls only; however, the district was using cellular phones for 800 number calls. One 800 number call was made for more than 50 minutes. The district paid 85 cents per minute for these calls. Cellular phones are a convenient but costly means of communication when school or office phones are close by. We also found phones not used but still incurring the monthly service fee. The LGBR recognizes the district may feel the need to communicate with its top administrators at all times; however, the use of pagers or office phones would serve the same function as the cellular phones, but at reduced or no cost.

In October of 1998, the board approved an outside company to conduct a review to find out whether any over or incorrect charges were made by the telephone company. The district will pay no fee for this service. Any savings resulting from the review will be split between the district and the company. The team supports this idea.

#### **Recommendations:**

The review team suggests that the district implement an intensive, more automated, and efficient system for recouping costs of personal phone usage, such as implementing the use of individual PIN's for telephone calls, both to simplify reimbursement procedures, and to increase employees' accountability for personal phone usage. Inclusion of such a system can be negotiated with the telephone service providers. The team estimates approximate annual savings of 20%.

**Cost Savings: \$48,384**

The district should block many of the telephone lines, including those in the teachers' lounges, in order to eliminate toll and long distance calls, enabling staff to make calls only within the Bayonne area.

Acceptance of collect calls should be prohibited.

**Cost Savings: \$760**

The team recommends that the district request bids for the following toll and long distance services:

**Intralata: Toll calls within area code**

**Intrastate: Long distance within state, to another area code**

**Interstate: Out of state, in the USA**

Estimated annual savings are approximately 15%, or \$36,288.

**Cost Savings: \$36,288**

The issuance of cellular phones is not a good practice. The phones become too convenient to use, causing potential for misuse and abuse with a tendency toward extravagance. It is recommended that the district terminate the cellular phone service and invest in a pager service.

**Cost Savings: \$4,200**

Calls to directory assistance operators are convenient, but expensive. The team recommends that the district implement computer software to search for telephone information for the entire district to eliminate directory assistance charges. The software is under \$100 and contains all information within the United States.

**Cost Savings: \$4,868**

**According to the Department of Education budget guidelines, postage equipment rental and postage expenses should be recorded in the communications/telephones account.**

## **INSTRUCTION**

### **Gifted and Talented Program**

An important component of district instruction is the gifted and talented program. As of November, 1998, the district had identified 667 students for inclusion in its kindergarten through eighth grade gifted and talented program. The program contains two major components: an inclusion program in each elementary school for kindergarten through eighth grade; and School Number 14 which houses gifted and talented students in grades 4 through 8.

Students identified as gifted and talented may remain at their neighborhood school or may opt to apply for entrance into School Number 14. During school year 1998-99, 228 students attended School Number 14. In addition to grade-level instruction, the program provides a three-week summer enrichment program. School Number 14 also houses the office of the director of the gifted and talented program who works the district's "12 month" calendar, and one 10 month principal who serves as administrator of the school. Neither administrator carries a class load.

### **Curriculum**

The district's five-year plan provided more of a skeletal record of curriculum projects completed, than an identification of broad-based future plans and requirements. As of January, 1998, the five-year plan ended with school year 1997-98 and was not of use to the review team in providing an idea of the district's intended direction and the resulting fiscal implications.

### **Recommendation:**

**It is recommended that the district update its five-year plan on an annual basis so as to identify and maintain its vision and to provide advance notice of projected plans. In this way, fiscal consequences can also be addressed in a timely manner.**

LGBR performed a review of district curriculum guides at all grade levels. Over the past two years, curriculum guides for kindergarten through third grade were completely revamped. The creation and development of these new curriculum guides took place during the summers of 1997 and 1998. Three weeks were devoted to this project during the summer of 1997 at a payroll cost of \$25,550. District professionals were subsequently brought in to work one week on this project in the summer of 1998, at a payroll cost of \$10,351. Implementation of the new curricula began in school year 1997-98.

Other than kindergarten through third grade, the elementary and secondary curriculum guides provided for review varied greatly in age and, presumably, relevance.

The review team was informed that the curriculum guides are not kept in a central location. When the guides were requested of the assistant superintendent for curriculum, even he had to request them from various content-area offices.

### **Recommendation:**

**For reasons of efficiency, it is recommended that the district maintain copies of all current curriculum guides in several central locations. As public documents and key sources of information regarding district curriculum and instruction, up-to-date curriculum guides should be readily available in response to a variety of inquiries. Unnecessary time is lost by repeatedly putting administrators and staff to the task of gathering these materials each time they are requested.**

### **Staff Development**

Several board policies address the importance of professional growth through staff development activities. The district ensures that all teachers receive staff development through the annual Staff Training and Development Day held at the return to school in September. LGBR was informed that the Staff Training and Development Day is financed primarily by the district with a supplement from Title I or Title VI. Board policy and regulation also provide for in-service training and the receipt of credit through the district's Bayonne Teacher Academy for Professional Development (the Academy). The Academy offers teachers a convenient opportunity to keep pace with topics such as the Core Curriculum Content Standards, Inclusion, and Problem Solving in the Middle Grades. The Academy offers after-school courses for credit, at no cost to teachers, throughout the year and during the summer. Credits earned at the Academy qualify for contractual salary increases. Courses held at the Academy are also open to teachers from Bayonne's private schools at no cost. Out-of-district teachers are charged a small fee.

In addition to the Academy, the district offers in-district workshops and makes it possible for teachers to travel to out-of-district workshops. In-district workshops are generally one-half day sessions which take place on the high school campus. Costs are minimized by keeping the workshops to one-half day and offering them twice in one day. In that way, the necessary substitute teachers are assigned to a morning workshop participant's class for the first half of the day, and to an afternoon participant's class for the second half of the day.

In support of out-of-district staff development, the district awards professional days to teaching staff for the purpose of attending conferences and workshops. With proper approval, the district pays any fees and provides some cost reimbursements.

With regard to out-of-district staff development, administrators spoke enthusiastically about the Hudson County Staff Development Consortium, and of the county superintendent's expertise and leadership in this area. For a nominal fee of \$500, districts within the county pool resources to obtain speakers and set up workshops to which each district can then send a given number of participants.



All workshops are financed primarily through Title I or Title VI funding. The Academy is funded through Title VI funds exclusively, at no additional cost to the district.

### **Per-Pupil Expenditures**

According to the March 1998 New Jersey Department of Education Comparative Spending Guide, Bayonne's per-pupil expenditures for school years 1995-96; 1996-97 and 1997-98 were in line with those of the comparison districts and below the state average for kindergarten through grade 12 districts.

<b>Per Pupil Expenditures</b>					
	<b>Bayonne</b>	<b>North Bergen</b>	<b>Plainfield</b>	<b>West New York</b>	<b>State Average</b>
1995-96*	\$7,006	\$6,296	\$7,778	\$6,759	\$7,683
1996-97*	\$7,216	\$6,468	\$7,593	\$7,354	\$7,611
1997-98**	\$7,420	\$6,393	\$7,896	\$7,905	\$8,013

\*Actual Expenditures

\*\*Budgeted Expenditures

### **Course Offerings and Enrollments**

District elementary schools share a uniform curriculum that incorporates art, music and technology in early childhood. The Department of Education school report cards for 1997-98 were not published at the time of this review, however, the 1996-97 school report cards indicated an average class size of 21.7 across the district's 11 elementary schools, as compared to the state average of 22.

Bayonne High School offers classes in approximately 12 major content areas. Entering freshmen currently are placed in one of several courses of study based on a meeting of the high school and elementary school counselors with the student and the student's parents. There are currently three major courses of study to select from at Bayonne High School: college preparatory; business; vocational/technical. This system is scheduled to change beginning in school year 1999-2000. At that time, all students will have the opportunity to select from any of the high school course offerings within the limits of sequential and prerequisite requirements.

According to the New Jersey Department of Education school report card for 1996-97, average class size in the high school that year was 20 students as compared to a state average of 21.

### **Library/Media Services**

District libraries are one of several responsibilities assigned to the Director of Technology, Business Education, Media and Libraries. The district operates 12 libraries, one at each school. The high school library also contains a media center. Not all of the elementary school libraries have media centers; several elementary schools visited by the review team stored media equipment out in the library itself.

All Bayonne School District library/media specialists work a 10 month contract. There are no support staff assigned to any of the library/media centers.

The Bayonne High School Library/Media center is staffed with one professional librarian. The high school library is open from 7:40 a.m. to 2:40 p.m., that is, during the school day while classes are in session.

School Number 14, which opened in September 1996, and services only gifted and talented students, has no library/media personnel assigned. Instead, School Number 14 provides a very limited but current book collection which is housed side-by-side with the technology lab in one large room. Student projects requiring a library component are conducted under the direction of content-area teachers rather than a professional library/media specialist.

The 10 remaining elementary school libraries are staffed by five professionals. Consequently, these libraries operate on a part-time basis only. Library/media service to these schools varies from one and one-half days per week at Philip G. Vroom School Number 2, to four and one-half days per week at the district's largest elementary school, Midtown Community School Number 8. On the 1998-99 schedule, the majority of the elementary school library/media centers are open between two and three days per week. Although teachers are allowed to take students to the libraries when no librarian is present, the review team's experience in the schools did not show this to be a common practice.

The district library curriculum, which previously covered all elementary grades, now is offered to grades four through eight only. A complete copy of the elementary library curriculum, grades four through eight, with cross-reference to the Department of Education's Core Curriculum Content Standards was provided to the review team. Students in kindergarten through third grade do not receive any services with the library/media specialist. Instead, these classes are provided shared use of a rolling cart that contains age-appropriate books formerly housed in the building library. For this purpose, each elementary school has been provided with one rolling cart that holds approximately 170 books.

As explained to the review team, recent difficulties in attracting library/media specialists to the district have necessitated cutbacks in the district's library curriculum services. To the best recollection of those administrators and teachers with whom the review team spoke, the district's elementary school libraries have never operated full-time. However, the current severe shortage of librarians dates to September, 1995. As explained to the review team, in September, 1994 three librarians were hired by the district to replace former employees lost through attrition and retirement. None of these replacements were offered contracts the following year. Instead, the positions were advertised. When there were no applicants, the positions were re-advertised the following year. When the district still received no applicants, LGBR was told, the full situation was reviewed and action was taken. At that time, the technology program, which previously had been part of the fourth through eighth grade curriculum, was changed to a kindergarten through eighth grade program; conversely, the library curriculum, which had previously been a kindergarten through eighth grade program, was changed to a fourth through eighth grade program.

The library replacement positions have not been re-advertised since 1996; these positions no longer exist as part of the Library/Media budget. It is the district's assessment that the reason it

obtained no response to its 1995 and 1996 library/media specialist postings was due to the number of higher paying librarian positions offered in the private sector in this region. Mindful that the Department of Education's Core Curriculum Content Standards integrate library skills at the content level rather than requiring a separate in-house library program, the review team was nonetheless surprised to find that no one interviewed cited this as a crisis situation and no plan exists to return library services to the lower grades. While the Bayonne School District's library/media expenditures are the lowest of the comparison districts cited in this report (see below), nevertheless, the district's elementary library program is not recommended for cost-efficient duplication because it provides no professionally-directed library time for the district's youngest readers.

Each elementary school library contains a minimum of three computer terminals. Four of the 11 elementary school libraries provide access to the internet. All elementary schools have been wired for internet access as part of the director's plan to have 12 computer stations in each elementary school library within the next five years. CD-ROM materials, including the World Book, several encyclopedias, and various materials in the subject content areas, are also available to students through the school libraries.

The high school library contains 25 computer terminal work sites, each with internet capacity. All computer terminals in the building have CD-ROM capacity through an external CD tower.

According to the June 30, 1997, CAFR reports, and the NJSBA 1997-98 Cost of Education Index, the Bayonne School District had the lowest budgetary expenditure, by percentage, of the four school districts compared, as shown in the chart below.

<b>LIBRARY/MEDIA EXPENDITURES FY '97</b>			
<b>Bayonne</b>	<b>Plainfield</b>	<b>North Bergen</b>	<b>West New York</b>
\$438,271 (0.7%)	\$728,684 (1.1%)	\$406,293 (0.8%)	\$406,293 (0.8%)

Without conducting a complete review of all four districts, a comparison of CAFR reports shows a direct relation between library hours, with consequent staffing costs, and total district library/media expenditures.

<b>LIBRARY/MEDIA SALARIES FY '97</b>			
<b>Bayonne</b>	<b>Plainfield</b>	<b>North Bergen</b>	<b>West New York</b>
\$294,802	\$640,388	\$326,359	\$583,367

\* Source: June 30, 1997 CAFR Report for each district

The majority of elementary school libraries in both the Bayonne and North Bergen school districts, which spent .7% and .8% of their budgets, respectively, on library/media services, are open only part-time and are staffed on a part-time basis. All elementary school libraries in Plainfield and West New York, which spent 1.1% and 1.2% of their budgets, respectively, on library/media services, are open during the full school day, five days per week, and each library is staffed with a minimum of one full-time professional.

## **Recommendation:**

**It is recommended that the district review its elementary library/media program in an effort to expand services to all kindergarten through eighth grade students. The district is encouraged to explore all possibilities, including elementary school in-library community service work by high school students, and the recruitment of adult volunteers.**

## **GUIDANCE**

### **The Department of Student Personnel Services**

The Bayonne School District provides guidance services to students through the high school's Department of Student Personnel Services. Since 1994 this department has consolidated a number of previously independent departments in an effort to coordinate various student programs and to eliminate the expense of duplicated and overlapping services. The director of student personnel services supervises the key student support services of guidance, including career services, peer leadership, pupil assistance committees, all ERASE (End Racism and Sexism Everywhere) activities, several student clubs, and district crisis intervention services. In addition, the director supervises the coordinator of the Bayonne Public Housing Drug Elimination Program and the director of the School Based Youth Services Program.

Guidance services are provided to district students in grades K through 12. The high school's "House Plan" allows incoming ninth graders to be assigned to a counselor who remains this student's assigned counselor through his or her entire time in high school. All high school counselors are assigned students from each grade level. In addition to the Director of Student Personnel Services, the schools are staffed by a total of 21 certified counselors and four secretaries assigned as follows:

- Six Elementary Counselors. A total of six certified counselors work in the 11 elementary schools. Five of these counselors are assigned to two elementary schools each. The sixth counselor is assigned full-time to Community School Number 8, the district's largest elementary school. These numbers are well within the elementary level 500:1 student/counselor ratio and the 337:1 middle school ratio provided for in the New Jersey Department of Education's Comprehensive Plan for Educational Improvement and Financing (Comprehensive Plan).
- Ten High School counselors. Ten counselors work with Bayonne High School's 2,107 students. This is in line with the 225:1 high school level student/counselor ratio suggested in the Department of Education's Comprehensive Plan.
- Five additional counselors, funded in large part by grant awards, staff the student center.
- Three secretaries assist operations in the departmental office at Bayonne High School.

Written job descriptions exist for district counselors at the high school and elementary school levels and for the secretarial staff.

Elementary school counselors work from a clearly articulated guidance curriculum for grades 6, 7 and 8, and provide emergency-based services to students in grades K through 5.

The Director of Student Personnel Services meets weekly with the elementary school guidance counselors and approximately twice a month with the high school counselors. The director also makes a presentation at the principals' meeting before school starts in September and speaks as requested at elementary and high school PTA meetings.

The coordinator of the Bayonne Public Housing Drug Elimination Program, who reports to the Director of Student Personnel Services, manages a year-round program that provides on-site services to each of the city's six public housing developments. The program, established under and funded in large part by a federal HUD grant, also maintains activity centers known as safe havens, which provide structured activities at three district schools.

Bayonne High School operates a daytime student center located in the main high school building, and collaborates with several local organizations to provide a teen center with evening hours located at the YMCA. These centers are currently funded in large part from district grant awards. Both are open to all Bayonne youth ages 13 to 19. The year-round activities provided by these grant-based programs are run by the Director of the School-Based Youth Services Program who reports to the Director of Student Personnel Services.

The Department of Student Personnel Services also offers an extensive peer leadership program with various activities. There are two peer leadership programs in each elementary school, one for seventh graders and a second for eighth graders, and a peer leadership group in the high school. Peer leadership activities include parent evenings and residential youth activities.

Each elementary school and the district high school have created building-level crisis management teams. In addition, counselors serve on the individual school Pupil Assistance Committees (PAC teams) organized in each school.

The Department of Student Personnel Services coordinates a multi-phase information/orientation program for prospective eighth grade students and their parents. For those students looking toward graduation, the department organizes a citywide joint college fair night in conjunction with the local private high schools. The department also offers financial aid seminars to seniors and their parents. Bayonne High School has announced that its June 1998 graduating seniors were offered a total of \$7,850,000 in financial aid.

### **Recommendation:**

**Given the fact that each high school counselor is provided with a computer and access to a printer from his or her office, several duties and responsibilities listed under the secretarial job description could be reduced. Consequently, LGBR recommends the elimination of one secretarial position located in the guidance office at Bayonne High School.**

**Cost Savings: \$25,024**

### **Athletics and Extra Curricular Activities**

School-sponsored athletic teams and local athletic programs offered at school facilities provide school-age children and young adults in Bayonne with a number of opportunities to participate in athletic activities.

All athletic programs are organized under the district athletic director. This is a stipend position that is currently held by the Director of the Athletic Department, Physical Education and the Community Education Center. The athletic director reports to the high school principal with regard to high school athletics and to the assistant superintendent for administration with regard to elementary athletics. In turn all coaches for the high school's varsity, junior varsity and freshman sports, all coaches of the district's elementary school sports, and an assistant elementary school athletics coordinator report to the athletic director. One full-time secretary is assigned to the athletic director.

Budgeting for the athletic department is a two-phase process. From the approved budgetary figure, the school business administrator first deducts sufficient funds to cover costs for transportation, officials, uniforms, and security. The school business administrator then provides the director of athletics with an adjusted annual budget figure. The athletic director breaks down this adjusted figure, apportioning the budget to each sport, mainly for the purchase of athletic supplies.

Of the four school districts selected for comparison purposes, the Bayonne School District had the second lowest budget percentage expenditures for school-sponsored athletics:

<b>FY'97 SCHOOL SPONSORED ATHLETICS, TOTAL EXPENDITURE COMPARISON</b>				
	<b>Bayonne</b>	<b>Plainfield</b>	<b>North Bergen</b>	<b>West New York</b>
Athletic Costs	\$393,609	\$441,848	\$533,746	\$261,612
Percentage	0.6%	0.7%	1.1%	0.5%

Sources: School districts' 1996-97 CAFR, 1997-98 Cost of Education Index

Bayonne School District athletic expenditures for fiscal years 1997 and 1998 consisted of the following:

<b>BAYONNE SCHOOL-SPONSORED ATHLETIC EXPENDITURES: FY'97 AND '98</b>		
	<b>1997</b>	<b>1998</b>
Salaries	\$205,385	\$245,449
Purchased Services	\$188,224	\$192,048
Total Expenditures	\$393,609	\$437,497

Source: June 30, 1998 CAFR

Elementary school athletic competition is organized as an inter-mural program. Team competition is generally organized for grades six through eight. The district does not provide busing for elementary school athletics. The athletic director, who is assisted in this area by the

assistant elementary school athletic coordinator, organizes one budget for all elementary school athletics. Program offerings at this level include basketball and cheerleading. Elementary chess and forensics are also the responsibility of the athletic director.

The district currently offers 27 varsity sports, 13 junior varsity sports, and 10 freshman sports in which high school students may participate. The municipality provides free use of its stadium to the district for athletic events.

Physical examinations for participation in school athletics are available free of charge to all participating students. These examinations are performed by one of the three physicians contracted by the district for this purpose. One board physician is present at all district varsity “home” football games. Payments to the board physicians for these services are drawn against the health services budget.

The district employs one part-time athletic trainer who also teaches physical education at the high school.

Bayonne High School is provided use of one dedicated district school bus for athletic transportation. Other district buses are utilized for athletics transportation as available. A private transportation company is contracted when scheduling requires the use of additional buses.

The district charges admission to games or matches in three high school sports; football, basketball, and ice hockey. All gate receipts are deposited in the school fund and are netted into the athletics budget to pay officials, and to provide for security personnel.

Of the four comparison districts, both Bayonne and West New York spent 0.1% of total expenditures for co-curricular activities in FY 1997, the least of the four districts reviewed. Following are the Bayonne School District’s actual expenditures for clubs/co-curricular activities in fiscal years 1997 and 1998:

<b>Bayonne School Sponsored Co-Curricular Activities</b>		
	<b>1997</b>	<b>1998</b>
Salaries	\$73,289	\$87,185
Supplies and Materials	\$0	\$0
Other Objects	\$0	\$0
Total	\$73,289	\$87,185

Students at both the elementary and high school levels have the opportunity to participate in clubs geared toward a variety of interests. Apart from sports activities, most of the elementary schools offer several different clubs to upper-grade students. The high school currently provides approximately 45 clubs for students to join. The high school also encourages students to approach teachers and the administration if they are interested in forming new clubs focused on activities not yet explored by any of the current on-campus organizations.

Athletic coaches and club sponsors are paid a stipend as provided under contract. Social club sponsors receive no compensation.

### **Booster Clubs**

A number of parent booster clubs exist in support of individual athletic teams. As a courtesy, the district maintains booster club funds in separate accounts for those clubs that choose to have their funds held by the district. All disbursements from these accounts are signed by both the business administrator and the athletic director.

### **Health Service**

The Bayonne Board of Education provides a number of health services to students and district personnel through the district's medical department. The department is comprised of two main offices; student health services and employee health services.

The district Director of Nurses, who heads the district's medical department, supervises a staff of 16 full-time nurses and two full-time secretaries, one in the student health services office and one in the employee health services office. The Director of Nurses works 11 months and is paid over 12 months, and operates under a clearly defined job description. Her responsibilities include developing policies relevant to the medical department, providing in-service and evaluating all district nurses, consulting with the chief medical inspector, and serving as liaison with the community regarding health issues.

One full-time nurse is assigned to each of the 11 elementary schools with the exception of Midtown Community School Number 8. With 1,058 students, school number 8 is the district's largest elementary school and is assigned two nurses full-time. Bayonne High School has 3.5 full-time, permanent nurses assigned to student health services for its 2,107 students. These numbers are in line with those provided in the Department of Education's Comprehensive Plan for Educational Improvement and Financing.

In addition to the above staff, the district pays for 12 month part-time physicians' services as follows:

<b>Title</b>	<b>FY'98 Payment</b>
Chief Medical Examiner	\$31,225
Medical Inspector No.1	\$23,720
Medical Inspector No. 2	\$21,734
Optometrist	\$21,292

Source: Board Resolutions - May 27, 1998

Written job descriptions for medical inspectors Nos. 1 and 2 require them to work two days per week for two hours each day and to be available for consultation when necessary. The Director of School Nurses confirmed that the chief medical inspector is scheduled for this same number of



hours. By job description, the optometrist is scheduled for one day per week for two hours. Each of the above part-time employees receives full district medical benefits and participates in the state pension plan.

The district also contracts for the services of a physician to serve part-time as the director of employee health services. All workers' compensation claims are referred to employee health services. The director's 12 month, part-time contract for \$36,000 per year is held by the chief medical examiner as an independent contractor. According to the Director of Nurses, the director of employee health services is scheduled for approximately seven to eight hours of work in-district per week plus consultation as necessary.

The building nurses are responsible to implement the district's health and safety curriculum in grades K through 8. At the high school level, the physical education teachers are responsible for health instruction. The high school also employs a full-time safety instructor.

### **Recommendation:**

**The review team notes that the district is not obligated to provide health and pension benefits to part-time employees, and that these benefits are not included in the current physicians' contracts. The State Commission of Investigation's December, 1998 report, Pension and Benefit Abuses, targets provision of these same benefits to part-time governmental employees. LGBR recommends termination of the health benefits to the district's part-time physicians.**

**Cost Savings: \$14,400**

### **Special Education**

The Bayonne School District conducts an extensive special education program. According to its 1998-99 Application for State School Aid (ASSA), approximately 15%, or 1199 members of the student population, were classified as requiring some level of special education services. Only 47 of these students, due to special needs the district was unable to meet, were not served within district. Bayonne continuously evaluates the needs of its out-of-district students with an eye toward returning them to the district if possible. In recent years the district has established classes for multiply handicapped and autistic students and has saved substantial sums of money in bringing these students back to the district. In addition, in the 1997-98 school year eight special needs students were received by Bayonne from other districts, primarily neighboring Jersey City, for an average tuition of \$14,000 per student, excluding occupational, physical, and speech therapy.

Under the state's new tiering system, Bayonne's 1998-99 ASSA report reflects numbers of special needs students on the roll as follows:

<b>Tier</b>	<b>School Level</b>	<b>Number</b>
II	Elementary	350
II	Middle	222
II	High School	400
III	Elementary	93
III	Middle	48
III	High School	66
IV	Elementary	15
IV	Middle	1
IV	High School	4
<b>Total</b>	<b>All Schools</b>	<b>1199</b>

Effective July 6, 1998, as per N.J.A.C. 6A:14-4.7, the state established new class types with class size limits. The review team analyzed these maximum class size limitations against Bayonne's special education class sizes at the time of this review, the fall of 1998. Excluding the five self-contained classes for young children classified as autistic whose program is addressed below, within the elementary schools there were 61 self-contained classes for a total of 550 students. Staffing for these classes included 61 teachers and a total of 60 aides, not counting those aides assigned to individual students. Another 22 teachers were assigned to resource rooms throughout the elementary schools to assist 217 students.

Although class size limitations with an instructional aide for classifications other than autism vary from eight to 16 students depending on the particular class type, on average the maximum allowable class size with one aide is 12. On this basis, the team's analysis revealed that there is a potential for the district to accommodate a maximum of approximately 182 additional elementary students in these non-autistic self-contained classes.

With regard to the autistic program, Bayonne is implementing a program that utilizes one instructor per student, either a certified teacher or an instructional aide. In the fall of 1998, there were five classes of four-to eight-year olds, with class sizes of between three and five. There were 16 aides assigned to these five classes, which had a total enrollment of 17 students. The administrative code requires one aide for six students classified with autism. For this particular class type, there is potential space for 13 additional students.

Within the high school, in January, 1999, approximately 267 students were assigned to either self-contained or departmentalized classes. There are 36 special education teachers in the high school and four aides who float among the classes as needed. Seven of the 36 teachers are primarily resource room teachers, serving approximately 153 students. The team compared Bayonne's high school self-contained and departmentalized class sizes against the state's maximum limitations. Since the high school does not use aides for the most part, the team used class size limitations without an aide for this comparison. The two classifications served in these classes are learning disabled and behaviorally disabled. The behaviorally disabled classes are comprised of four students each, while the state's maximum limitation is nine. The learning-disabled average class size is eight, while the state's maximum size is 10. Recognizing the

variables in high school class scheduling, the team estimates that the Bayonne School District has space for at least 50 additional high school students in its self-contained/departmentalized classes, based upon assigning two additional students to just 25 of the high school special education teachers.

#### **Recommendations:**

The team recommends that the district take a close look at both staffing and class sizes in its special education programs. The review team recognizes that differences in age groupings or other circumstances may preclude the district from filling every special education classroom to allowable capacity or that special situations may exist as a result of analysis by child study teams (CST) and Individual Educational Plan (IEP) requirements. The team also realizes that “allowable capacity” means “maximum” number of students, not “recommended” number of students. However, it is imperative that the district continue to scrutinize this matter each year to be certain that resources within the district are utilized to the fullest. The potential savings in Bayonne is of sufficient magnitude to warrant a close look at current class sizes and staffing. There are several options that should be explored in this regard.

The district can receive additional students from other districts. Based upon the lowest per-pupil tuition amount of \$10,000 currently received from other districts, there is a potential revenue of \$2,450,000 for the total 245 spaces. Even if the district filled only 1/3 of these spaces for reasons cited above, it could achieve significant additional revenue.

**Revenue Enhancement: \$810,000**

The district may reduce the number of classes it now conducts, by increasing the number of students per class, which would result in savings in employee costs. Excluding the self-contained autistic classes, based upon the average class size of 12 with an aide, the 550 students served within the elementary schools’ 61 self-contained classes should require approximately 46 classes with 46 teachers and 46 aides, for an “excess” of 15 classes. Even if only half, or seven classes, were eliminated, based upon average employee salaries and minimum benefits if applicable, significant savings could be achieved through elimination of seven teacher and teacher assistant positions. Based upon the number of children served in the autistic classes in the fall of 1998, three classes rather than five are needed. The team suggests that the district at least consider eliminating one, for additional savings of one teacher position and eight aides throughout the autistic classes, leaving two aides per class. Similarly, based upon the suggested reassignment of 50 high school students to other classes, there is a potential for the elimination of five teacher positions in the high school. The team proposes elimination of two, for a total of 10 teacher and 15 teacher assistant positions district-wide. The average special education teacher’s salary including benefits is \$43,800. The average instructional assistant’s salary is \$8,745.

**Cost Savings: \$569,175**

**At a minimum, the district should consider eliminating some of its instructional assistant positions. Based upon the state's class size limitations, Bayonne employs approximately 44 more aides than required. This number does not include the approximately 30 aides assigned to individual students in accordance with their IEP's, nor the floaters at the high school.**

**Cost Savings: \$384,700**

As in all school districts, the numbers of special needs students and their placements fluctuate in Bayonne throughout the school year. In January, 1999, there were 51 students sent out-of-district. The total annual tuition cost for these students was approximately \$1,303,261 for an average per pupil cost of \$25,554. Utilizing the average 1997-98 tuition rate of \$14,000 charged for the students received from other districts, on average it costs the district an additional \$11,541 for each child sent out of district. However, as noted elsewhere in this report, the district has demonstrated that it makes every effort to retain special needs students within district and only send students out of district in exceptional circumstances. The Bayonne School District is commended for its efforts in this regard.

The district employs five full-time child study teams, which are housed in five schools in the district. Each team is comprised of a learning disabilities teacher-consultant, a social worker, and a psychologist, and each team is supported by a secretary. Following are statistics on the number of evaluation activities conducted overall by the teams in the 1996-97 and 1997-98 school years:

	<b>REFERRALS</b>	<b>CLASSIFIED</b>	<b>REEVALUATED</b>	<b>DECLASSIFIED</b>
<b>1996-97</b>	210	192	348	7
<b>1997-98</b>	269	246	318	14

The team compared Bayonne's special education program costs and rates of classification against those of the comparative districts selected for this review. Both in terms of special education costs and classification rates, Bayonne is far and away the highest among the comparative districts, with costs at almost double that of the next highest district. The table below depicts each district's general fund expenditures for special education in 1996-97, and rates of classification as reported in their respective 1998-99 ASSA's:

<b>District</b>	<b>1996-97 Expenditures</b>	<b>Classification Rate</b>
Bayonne	\$6,706,853	15%
Plainfield	\$3,360,613	10%
North Bergen	\$2,887,175	9%
West New York	\$1,779,748	8%

The district has reviewed its evaluation procedures in recent years in an attempt to reduce the increasing costs associated with its high number of special needs students. In the 1997-98 school year it implemented a change in policy, which requires that students first be referred to a Pupil Assistance Committee (PAC) as an alternative to referral to the child study team for evaluation. While the district does not yet have statistics on numbers of child study team evaluations avoided through this new policy, the team commends the district for taking this step to address the issue.

The district has also considered increasing its efforts toward inclusion of more students with disabilities in the regular classroom. Not much has actually been implemented along these lines, however.

### **Recommendation:**

**The review team recommends that Bayonne continue to investigate means of reducing its special education costs, one of which may be the inclusion of the more students with disabilities within regular classrooms. Based upon documentation reviewed by the team, discussions have been proceeding along these lines for years, with not much progress noted. The district determined that the regular education teachers would require some additional training in order to accommodate a select grouping of these students within their classrooms, but this has not occurred. Such a major shift in policy and practice undoubtedly will require additional effort, “start-up” costs, and time on the part of the administration and the staff. In light of the revised federal and state laws placing more emphasis on inclusion of students with disabilities in regular education classes, the district should act on the initiatives it has been exploring for the past several years. As noted above, special education is costly, and in the long run it may behoove the district to expend the funds required to train its staff in order to meet the needs of more children in the regular classrooms.**

### **Special Education Medicaid Initiative (SEMI)**

The district has received a total of \$49,325 in revenue under the Special Education Medicaid Initiative (SEMI) program. During the past two years, the average annual revenue has been \$17,930. In FY 1999, the district has filed claims in the amount of \$7,436.

Based on Department of Education estimates the district has 275 potentially eligible Medicaid students. Assuming that the average student receives a minimum of one service per week and one evaluation per year, we estimate the potential revenue to be \$118,350 per year. This estimate does not include revenue derived from transportation claims, which would provide additional funds for regular and specialized transportation.

One problem is that the district is under-registered. The district is currently making a concerted effort to collect parental consents needed to register pupils. During the site visit, we reviewed a stack of recently collected parental consent forms and found them to be incomplete. The district is continuing to identify eligible students and pursue parental consents through mailings, new registrations, and annual reviews. The district has been notified that, of the 104 currently registered and Medicaid eligible students, only 46 evaluations have been claimed. This equates to an annual loss of \$4,060.

In order to claim speech services, Medicaid regulations require a school-certified speech language specialist or a speech correctionist with a Master’s degree in speech pathology. The district reportedly does not have a Medicaid-eligible speech/language practitioner. The current school-certified staff may work “under the direction of” an appropriately certified practitioner by using a regional or “roving” consultant who would meet the Medicaid requirements. It is not

necessary for the consultant to be a full-time employee of the district. The district has 292 pupils in speech therapy. Based on the Department of Education at-risk factor of 35%, it is estimated that 102 pupils are Medicaid eligible. If these pupils receive one service per week the speech claims would generate up to \$33,048 in revenue annually.

An examination of the files suggests that the district is not claiming for out-of-district placements. The district may add a provision to the out-of-district contracts to require documentation of services for SEMI claims. At the time of this review, district staff reported 43 students currently in out-of-district placements. Again, based on the 35% at-risk factor for the district, an estimated 15 students are Medicaid eligible. This would result in more than \$5,000 per year in revenue to the district.

### **Recommendations:**

**The team estimates that improvements to the SEMI operation will generate a minimum of \$118,000 per year in revenue. Specifically, the district should:**

- **Begin to claim for speech therapy services;**
- **Develop a process to ensure that all evaluations are claimed;**
- **When handicapped students require nursing services, include these services in their IEP's and begin to claim these services for those students who are Medicaid eligible;**
- **Take steps to make sure that regular transportation services are noted in the IEP's for all Medicaid-eligible students to claim this service;**
- **Include a parental consent form in the packet with all new students and when conducting annual reviews, and request that the parent sign the form at that point; and**
- **Document and claim for out-of-district placements. Include language in contracts with out-of-district placements to require that monthly tracking logs be completed for all Medicaid-eligible students.**

**Revenue Enhancement: \$118,000**

### **Bilingual/English as a Second Language (ESL)**

The district's bilingual/ESL program is supervised by the director of foreign languages/ESL. Clerical support is provided for the program by an instructional aide, who also assists teachers in the classrooms. The district employs a total of nine bilingual/ESL teachers, four of whom teach the bilingual classes, with another four teaching ESL, and one teaching both. Nine instructional aides are assigned to the various schools to assist with the bilingual and ESL classes. Attempts are made to employ individuals who are conversant in a predominant language, e.g., Arabic or Spanish, to translate for both the students and their parents. In 1997-98, approximately \$74,000 was paid to these nine aides.

## **Recommendation:**

**The team recommends that the district consider eliminating the instructional assistant positions. Instructional assistants are not employed in other classes in the district, except for special education classes. For those times when a translator is required and none is available within the school staff, the school should seek bilingual volunteers from the multi-cultural Bayonne community. The secretarial support currently provided to the director by one of the aides on a part-time basis can be provided by other high school or central office staff.**

**Cost Savings: \$74,000**

Four of the district's ten K-8 elementary schools provide Spanish bilingual classes. ESL classes are also held in one of these four elementary schools, as well as at one other elementary school. Parents must provide transportation for the students assigned to other than their neighborhood school for this instruction, as Bayonne only provides transportation for its special education students. The high school provides ESL classes for its students. In addition, based upon teachers' recommendations, students may subsequently attend transitional English classes for one year, if required.

Participation in the bilingual/ESL program requires parental approval. In the fall of 1998-99, ten parents refused their children's participation in the programs.

Current DOE regulations require bilingual classes where there are more than 20 students in the district with limited English-speaking ability in any one language classification. Bayonne has 78 Spanish-speaking students, so bilingual classes are offered in that language. Although there are two other language classifications exceeding the 20 student figure, i.e., Arabic and Polish, the district has received waivers from DOE for conducting additional bilingual classes. In the fall of 1998, the Spanish language bilingual classes accommodated 49 students, and the ESL, including the high school students, 150.

The Spanish bilingual program is conducted in self-contained classrooms. The program for these children includes two English as a Second Language class per day for English and Reading. The ESL program is conducted on a pull out basis, for either one or two periods per day as needed. The teachers have flexibility in the assignment of the students to these classes based upon their needs. The high school offers a "high intensity" ESL program, which consists of a double period of English/Reading. The program here is broken down into four levels: entry, beginner, intermediate and advanced. The students generally remain at the assigned level for one school year, but levels can be skipped depending on test results.

In providing for the education of its students with limited proficiency in English, Bayonne's goal is to achieve rapid assimilation into regular classes. Upon successful completion of either program, the children exit to regular classes, and as appropriate, to their neighborhood schools. Generally, students exit the program within three years, upon successful testing out. At the end of the 1997-98 school year, 10 elementary students exited the Spanish bilingual program, 15 from the elementary ESL program, and 12 from the high school ESL classes.

## **Remedial Education**

With regard to the provision of remedial education, each of Bayonne's 11 elementary schools is designated as either Title I or non-Title I (School #14, the gifted and talented school, is neither). This designation is based upon the percentage of families at or below the district's level of poverty within each school. This determination is made each year for each school using either welfare counts or free lunch counts, so the designation can change from year to year. At the time of this review, six schools were designated as Title I, and four were non-Title I.

In the Title I schools, Title I funding is used to cover costs of additional teachers and supplies. The concentration in the district is grades Pre-K (in one school) through 3, since this is where the district believes the programs most benefit the children. The district reportedly does not receive sufficient Title I funds to go beyond these grades with the Title I programs. In the 1997-98 school year, the district received approximately \$1 million in Title I grant funds. In addition, the district received approximately \$3.9 million in Demonstrably Effective Program Aid (DEPA), a site-based state grant which reportedly covers costs for basic skills instruction for grades 4 through 12, as well as a portion of teachers' salaries. The district also expended general funds of \$3.3 million to cover the basic skills programs in this period.

The students are screened at registration, or else during the first two weeks of school, by means of a one-on-one 20 minute readiness test. There are no standardized tests used for those coming out of grades K and 1; instead a developmental checklist is completed by the prior teacher. At the end of 2<sup>nd</sup> grade, the CAT's are used. The district uses the minimum level of proficiency (MLP) scores as its cutoff.

In the 1998-99 school year, approximately 411 Pre-K through grade 3 students received remedial instruction in math, 428 in reading, and 390 in writing. During this same time period, the district employed 19 Title I teachers, five basic skills teachers, and one pre-K teacher's aide for these elementary grade levels. Remedial instruction is provided in math, reading and writing on an in-class basis, usually utilizing a team-teaching approach. There are no pull-out programs in the public schools. The one Pre-K class in the district is a self-contained class with one teacher and one aide. Title I kindergartners attend extended day programs; half their day is the regular program and the other is Title I, thereby providing them with four additional periods of instruction per day. The elementary school Title I/basic skills teachers are not in the classroom for the entire day, but rather come into the class at specified times to work with students needing reinforcement in specific subject areas. It was noted that a lot of planning is required if team teaching is to work. The district is not in favor of pullout programs because the students miss the regular class work, which is considered counter-productive.

For grades 4 through 8, the regular classroom teachers are responsible for providing whatever additional assistance the students may need. For each student, the teacher maintains a folder and completes pre- and post-performance forms, which are designed to reflect the student's improvement in standardized test scores. At the high school level, instruction for all students follows certain tracks, one of which is designated for those requiring remedial education, based primarily on Early Warning Test scores. Students generally remain in this track for a minimum of two years. The high school also supplements its program with small group instruction



utilizing the computer lab facilities for these students. According to the high school principal, no student has been denied a diploma due to failure of the High School Proficiency Test or Special Review Assessment.

### **Recommendation:**

**With class enrollments of 25 or more students, it is doubtful that the regular grade 4 through 8 classroom teachers have much spare time to devote to those students who need additional assistance. The district should consider devoting more resources to these students, who seem to fall between the cracks of the intensive efforts of Title I and basic skills instruction provided in grades Pre-K through 3, and the high school tracking system which facilitates teaching based upon the ability level of the students.**

Bayonne School District employees provide remedial instruction for the city's non-public school students. There are two sources of funding for the program: Title I (Federal) and Chapter 192 (State). The instructors are now allowed to go into the non-public school buildings. They formerly could not, due to separation of church and state issues, so instructional vans had been used. The Bayonne district was not geared up for this change, so it is working on getting required furniture and supplies in place. The computers, which had previously been used in the vans, have been placed in the classrooms. Technocarts like those used in the public schools will reportedly be forthcoming.

The program for non-public school grades K-3 is conducted on a pullout basis. Two teachers are assigned to provide the instruction, spending half a day in each of the four elementary schools. Parents, who must sign off agreeing to their children's participation in the program, have expressed displeasure with the pull out program, as the children then miss the regular class work. Team teaching as implemented in the public schools is not an option here. The program in the two private high schools is totally computerized, utilizing state-of-the-art computers and software. The program is conducted after school, utilizing Bayonne public school teachers as facilitators in the computer labs. The teachers receive extra compensation of \$14 per hour to serve as facilitators for this program.

There is also a parent component to the district's remedial program, which provides guidance to parents on how to assist their children with homework and other skills. Approximately three days a week, for four to six hours per day including some after school and evening hours, the district deploys a "parent-van" to both the public and private schools on a rotational basis. Parents visit the van, which is equipped with a table and chairs and some instructional aids, which parents may borrow to use at home with their children. During the day the van is staffed by a teacher at a substitute teacher rate, which at the time of the review was \$70 per diem. In the evenings, full-time teachers staff the van for additional compensation of \$14 per hour. In 1997-98, the total salary cost for the van program was \$4,585, representing 44 days/evenings of service. The estimated total for costs associated with the van for this period, including the drivers' overtime salary but excluding repairs, was approximately \$3,300. The total cost to operate the van for 44 days and evenings was approximately \$7,885. The degree of parent participation in the van program is quite low. For the entire six-hour period on the day the team

visited the van, only two parents stopped by. In 1997-98, the average number of parents who visited the van on any given day was four. For all 44 sessions, a total of 154 parents were served. The cost to serve each parent was approximately \$51.

In addition to the van program, the district provides monthly or semi-monthly family workshops in the evening at the Midtown Community School. The sessions are conducted by regular teaching staff at the supplemental rate of \$14 per hour, which includes substantial preparation time. The total salary costs for 1997-98 was \$1,232, with \$187 for supplies. Seven sessions were conducted, with an average attendance of 15, and a total number served for the year of 108. The cost per person was approximately \$13.

### **Recommendation:**

**The review team recommends that the district consider eliminating the van program and expanding its on site parent/family programs, which can serve more persons at a lesser cost. Perhaps sessions could also be held at other community school locations or during school hours if that will better meet some parents' schedules. Although the district expressed concern that some parents would be reluctant to enter a school building and are more inclined to visit the van parked outside the school, the costs and numbers of participants do not support continuance of the van program. Estimated annual savings are based upon a comparison of costs per individual served in the van program vs. on-site workshops.**

**Cost Savings: \$5,800**

### **Parental/Community Involvement**

The district has a variety of programs and events that involve both the parents and the community at large. A sampling of such activities and events is as follows:

- School Based Planning Teams
- Parents' Night Out: The Parent School Connection
- Parent Training Night (Dodge Foundation Grant)
- Family Night Out (Computers, Mathematics, and Science)
- Community Education (Three Schools)
- Senior Citizen Computer Class
- Back to School Nights
- Open House
- College Fair/Financial Aid Nights
- Adopt-A-School Program
- High School Orientation
- PTA, PTO, and PTSO Meetings

To keep parents/community informed about school functions, parent meetings, community activities, and achievements, the district utilizes newsletters, publications, annual reports, and newspapers. LGBR believes that the district should continue to use a variety of methods to

inform and involve the total community and not just the parents of the students in the district. The district should reinstate or revive the district council of the various parent, teachers, and student groups. The aforementioned could provide input and be available to assist in specific projects and/or initiatives.

The parents/guardians of the Bayonne Public Schools were surveyed in May of 1996 for the purpose of soliciting input regarding services provided by the school district. They were asked to what extent they agreed or disagreed with the 25 questions on the survey. In addition, all were given an opportunity to write comments or suggestions on the survey itself. The results of the survey were not shared with the LGBR team.

### **Recommendations:**

**LGBR recommends that the district share the findings of the survey with the educational community, parents/guardians, and the community at large. In addition, a follow-up is warranted to document what the district has done to address the concerns and suggestions.**

**LGBR believes that the district should make a concerted effort to reach out to and inform residents without children in the school system regarding achievements and awards bestowed upon the students and the school district. This may result in greater support for the district. The district should establish committees to obtain input on the needs of the district as well as on a strategic plan for the next several years.**

### **Community/Adult Education**

Bayonne takes pride in its community education efforts, offering a wide array of community programs for its residents. There are three types of programs offered: youth enrichment, which operates within three of the district's schools; adult community education, which operates out of the community education center, located within the high school complex, and also in two of the district's community schools; and adult evening high school, offering those residents who did not earn a high school diploma a second chance to do so. According to the district's 1998-99 Application for State School Aid (ASSA), 114 adults were participating in this diploma program.

The youth enrichment programs are conducted after school one day per week for six weeks, generally at a cost to the participant of a \$15 registration fee. According to information provided by the community education office, in 1997-98 the district received a total of \$9,165 in registration fees for these programs.

Determination of course offerings for the adult community education programs is made based upon surveys of the community. Class sizes varied from 2 to 48, with per-person fees ranging from \$0 to \$295. The pool of instructors is comprised of district teachers and administrators, who are paid \$14 and \$16 per hour respectively, and other subject-matter specialists who are contracted for various amounts. For the fall and spring 1997-98 sessions, the district received a total of \$87,398 in fees for the adult programs, according to the receipt listing provided by the business office. According to the CAFR report, the district expended \$189,338 for these programs for a loss of \$101,940. The team was informed that the total expenditure figure does

not even include all associated costs, e.g., salaries of the director of community education and the secretary, nor the facility costs. Although the adult community education programs are admittedly intended to be self-supporting, that is clearly not the case in Bayonne.

#### **Recommendation:**

**The team recommends that the district take steps to bring its receipts more in line with its expenditures with regard to the adult community education programs. While it is commendable for the district to offer programs to the entire community, it should work toward having those participating in the programs cover the costs. Some suggestions would be increasing minimum class sizes, thereby eliminating those with insufficient participants, and/or increasing the fees of the courses to better cover costs.**

**Cost Savings: \$101,940**

#### **Technology**

During the review period, the district did not have a formalized Y2K Plan. However, the vendor for the district has been working on solutions. The team recommends that the district have a plan to be in compliance with Y2K.

#### **Recommendation:**

**The team recommends that the district have a Y2K Plan to be in compliance. For additional guidance in its planning regarding educational technology, the district could utilize the services of the Department of Education.**

#### **Student Information**

The district uses the same vendor for student information as it uses for business office computing. The major difference is the individuals who work with the student information system have the capability of tweaking the system code to customize the system. As a result the system is more in line with the workflow of student information. The staff is knowledgeable, experienced, and responsive to the requirements of its position.

#### **Instruction Technology**

The district uses Macs and PCs for a variety of educational modalities. Each discipline is responsible for determining which programs are used to assist in teaching that particular subject matter. The district has actively pursued awards and has been recognized as a star school by the Department of Education as well as other groups. The district outsources repairs for the equipment and has a certified network administrator on staff to address networking concerns.

The outsourcing of repair has been done through three different vendors, with one maintaining the bulk of the contract work. In 1997-98, the district spent \$281,181 on maintenance for computers and related software. This expenditure is mixed between business applications and educational applications. The district has a technology plan and is attempting to keep it current.

The district does not offer any hands-on training for students regarding networking or computer technician training. The district should consider a mentoring program whereby several students in internship roles are paid to do the minor tasks associated with computer and network maintenance. The skills learned would help students develop skills necessary in today's job marketplace, and the positions would result in moderate cost savings to the district in the computer maintenance category.

### **Recommendation:**

**The district should consider starting an internship program for several students, under the guidance of the department head, to work on the maintenance of both the network and computers. These internships could be paid after-school activities that involve routine maintenance and installations. The district could save approximately \$10,000-\$15,000 for routine maintenance on computers.**

**Cost Savings: \$10,000 - \$15,000**

## **BUSINESS OFFICE OPERATION**

### **Administrative Costs**

A review of the function 230 - Support Services, General Administration -account for fiscal year 1996-97 and 1997-98 was conducted. This function includes expenses associated with the board of education, executive administration, and school elections. The review revealed the following costs for fiscal year 1996-97 and 1997-98 (based on the 6/30/97 Audit Report):

	<b>1996-97</b>	<b>1997-98</b>
Salaries	\$1,060,668	\$1,075,914
Legal Service	59,703	112,095
Other Purchased Professional Service	112,838	50,000
Purchased Technical Services	-	
Communications/Telephone	150,217	241,920
Other Purchased Services	291,451	341,292
Insurance Liability		
Supplies and Materials	225,452	220,071
Judgments Against the School District	-	
Miscellaneous Expenditures	48,240	35,251
Total Support Services General Administration	\$1,948,569	\$2,076,543

Based on the review, the team found that the district had incorrectly coded expenditures. Numerous errors were found in the expense accounts. Due to these errors, expenses for each category may be overstated or understated. Hence, the data does not allow for a valid comparison with other school districts. These errors are illustrated in many accounts. The team conducted a detailed analysis for school year 1997-98 in function 230 and found that legal expense was understated by \$79,534, communications/telephone was understated by \$25,645,

and supplies and materials were overstated by \$189,382. A total of \$45,702 for computer service, software upgrade, and monthly copier payment was incorrectly charged in the miscellaneous account. Board members' expense, which is part of the miscellaneous expense, was incorrectly charged to supplies and materials. Because of the improper charges in various accounts, the actual expense for each category cannot be determined.

#### **Recommendations:**

**The board should conduct training for staff members to educate them in the proper accounting coding.**

**The business office should make sure that the expense reference handbook and chart of accounts is available to all departments.**

**An administrator should carefully review all purchase orders to insure that the correct accounts are being charged, before approval.**

#### **Budgeting**

School districts use the budgeting process to list their projected school year expenses. Through final documents, such as the Comprehensive Annual Financial Report (CAFR) and detailed accounts analysis, the districts can identify the priorities and philosophy of their school board and the areas of need and importance in the next school year. It is a long process, several months in production, and varies from district to district.

During the budget process, all principals, assistant principals, teachers, program directors, department heads, etc. are responsible for developing their own school/department budgets. They also provide critical input to those expenses associated with the district as a whole.

A review was made of the Bayonne City School's CAFR, actual financial statement, and transfers. During school year 1997-98, the district performed a total of 140 transfer actions, which represented a total amount of \$2.6 million. Transfers were made between communication/telephone, supplies, health claims, equipment repair, tuition, textbook and salary accounts. Salaries account was the major area of transfer made by the district. Transfers of funds between budget line items usually occur when unexpected expenses occur during the school year. A transfer is the deduction of money from one account and its deposit into another account. Legally, transfers between budget-controlled accounts, fund, program, and function accounts must have board approval. Transfers within expanded control accounts do not require board approval unless specified under board policy. The team believes that a minimum number of transfers should occur since a district should be able to project expenses based on prior year information and through the budgeting process itself. A large number of transfers could indicate a weakness in the district's budget process. However, in Bayonne, since expenditures are charged in incorrect line-item accounts, the number of transfers is unreliable.

Actual expenses in the district were not accurately recorded. The result of charging the incorrect accounts misleads the district in the process of developing an accurate budget. The accounting coding system must be improved. Once the budget is adopted, the district should stay within its guidelines and try to achieve the stated goal to avoid overspending. Several times, when the team requested copies of the department budgets, the department heads claimed that the copies were not available and referred us to the business administrator. The team believes that the department heads should keep copies of the monthly detailed budget reports, so that they have control of their spending.

### **Recommendations:**

**The district should take steps to establish a corrective action plan and implement it as soon as possible to correct the accounting coding system problems.**

**The district should develop a detailed projection for spending to support the budget. When the budget is set, the district should stay within its guidelines and try to achieve the stated goal to avoid overspending.**

**The district should perform an analysis of transfers prior to the development of the next school year's budget. Such a report will provide individuals responsible for budget development and the board with information pertinent to development of the next budget.**

### **Cash Management**

The team reviewed the checking and savings accounts maintained by the Bayonne Board of Education for the purpose of identifying ways the district could maximize its interest income and reduce the costs associated with reconciling and maintaining its banking accounts. During 1997-98, the district maintained 11 checking accounts in a small local bank. Only three checking accounts received interest income with an annual yield of 2.43%. These three accounts had balances from \$123,909 to \$1,029,131 as of July 31, 1998. The other eight accounts earned zero interest income. These eight accounts have balances from \$115 to \$180,979 as of July 31, 1998.

The team reviewed the amount of interest earned by the district in its operating accounts. The average monthly balance in the general fund account for school year 1997-98 ranged from approximately \$882,635 to \$2,197,521. The district received interest income of \$43,137 in this period. The bank waives all fees and service charges for the Bayonne Board of Education's checking accounts. The bank also provides free personal banking and pick-up and delivery service to the district. However, in waiving the fees, the bank offers a low interest rate to the district. As a result, the district is earning minimum interest income.

For comparative purposes, the team compared the total interest earnings for the above accounts to what would have been earned if the board had invested with Bank X, Municipal Investors Service Corporation (MBIA), and New Jersey Cash Management Fund (NJCMF). The chart below illustrates the interest rate offered by Bayonne district's bank, Bank X, MBIA and NJCMF for school year 1997-98.

	<b>District's Bank</b>	<b>Bank X</b>	<b>MBIA</b>	<b>NJ Cash Mgt. Fund</b>
Jul-97	2.43%	4.10%	5.30%	5.42%
Aug-97	2.43%	4.00%	5.30%	5.40%
Sep-97	2.43%	3.80%	5.30%	5.29%
Oct-97	2.43%	3.80%	5.20%	5.40%
Nov-97	2.43%	3.70%	5.30%	5.41%
Dec-97	2.43%	3.20%	5.30%	5.52%
Jan-98	2.43%	3.30%	5.30%	5.45%
Feb-98	2.43%	3.30%	5.40%	5.37%
Mar-98	2.43%	3.00%	5.30%	5.38%
Apr-98	2.43%	3.40%	5.30%	5.38%
May-98	2.43%	3.10%	5.20%	5.38%
Jun-98	2.43%	3.60%	5.30%	5.35%
<b>Avg.</b>	<b>2.43%</b>	<b>3.53%</b>	<b>5.29%</b>	<b>5.40%</b>

The district's rate was 1.10% below the rate paid by Bank X, 2.86% below MBIA, and 2.97% below NJCMF. If the district deposited its money into Bank X, MBIA or NJCMF, it would have earned extra interest income of \$19,063 from Bank X, \$49,563 from MBIA, and \$51,469 from NJCMF in the general fund account. However, MBIA and NJCMF do not provide the services that the bank provides to the district, such as check printing and processing. Most districts invest a portion of their money into Certificates of Deposits, NJCMF, or MBIA to earn higher interest. MBIA and NJCMF are conservative investment funds utilized by the state. The team does not suggest that the district look at the MBIA and NJCMF as the only investment opportunities, but these entities provide a basis for comparison. It is in the best interest of the district to constantly review its cash management practices to generate the best income possible for tax relief for the district taxpayer.

According to the business administrator, the district maintained zero surplus, therefore, it does not have excess money for investment. However, after looking into the bank accounts, it was revealed that the district has an average of \$2 million available for earning interest. The district could have increased its yearly interest earnings by approximately \$40,238 to \$98,774.

There is no formal written agreement with the bank regarding the services the district will receive and how the interest is calculated. In addition, the district does not periodically obtain quotations from other banks to ensure that its current bank remains competitive in the market place. Moreover, the district does not maintain funds in other banks. Maintaining accounts in other banks would help to keep the district informed of new services in the banking community and maintain relationships with other banks.

### **Recommendations:**

**The district should immediately seek requests for proposals for banking services from various banks in order to ensure that its bank is competitive in the current market.**



**An annual review of account activity should be conducted, and relative pricing of banking services should be compared. This will prove to be a valuable tool in planning for future investments, as well as negotiating new banking agreements.**

**The board should restructure most of its bank accounts to improve the interest income or look into other investment opportunities.**

**The district should perform a cash flow analysis at least on a quarterly basis to determine the amount of idle cash that is available for investment purposes in the forthcoming accounting period.**

**The entire cash management policy should be reviewed and the district should explore other means of enhancing its interest earnings other than relying only on district's banks, i.e., by looking at optional lawful investments permitted in P.L. 1997, Chapter 148, as amended.**

**Revenue Enhancement: \$40,283 - \$98,774**

#### **Exchange Fund/Petty Cash**

The district has three checking accounts that it may draw upon for emergency. The district identifies them as Title I, exchange fund, and community education/adult school fund. All these checking accounts function as petty cash accounts and permit administration the ability to fund projects or emergency purchases on short notice. At the beginning of each school year, funds are deposited in each checking account in the amounts of \$1,000, \$3,000 and \$5,000 respectively. During the school year, as the school draws down the account, the custodian of these funds can submit to the school business administrator a request for replenishment. Each request for petty cash is put in a written document and signed by the person who makes the request before it is submitted to the business administrator for approval. The team observed that many documents were not signed by the petty cash requesters. Two signatures are also required on each check from these accounts. According to board policy, no single petty cash expenditure may exceed the amount of the fund. At the end of the school year, all petty cash funds are closed out for audit.

A review of the district's petty cash expenses was conducted for school year 1997-98. It revealed that most of the expenditures were related to food, membership dues, hotels and conferences, tolls and newspapers, medical fees, office supplies, and a survey. The amounts drawn from this account ranged from \$3.50 to \$1,800. Seven equal-amount checks, totaling \$2,450, were issued to one staff member for tolls and newspaper reimbursement. A check for the amount of \$1,800 payable to a hotel for a trip to New Orleans was also drawn from this petty cash account. Receipts were not always found in the petty cash fund. According to Title 18A:19-3, all claims and demands, exceeding \$150 in amount, except for payrolls and debt service, shall be verified by affidavit, or by a signed declaration in writing. Therefore, for all payments of more than \$150, the district should use the purchase voucher system.

The community education department also has a petty cash account. This department offers evening classes for the community with a small charge for tuition/fees. At the beginning of each

school year, the board authorizes \$5,000 into this account. This account is mainly used for the refund of community education tuition. In school year 1997-98, two large checks in the amounts of \$516 and \$335 were drawn from this account to purchase books and supplies.

### **Recommendations:**

**According to N.J.A.C. 6:20-2A.8 and the GAAP guideline, petty cash funds are to be used for the purpose of making immediate payments of comparatively small amounts. Many of the petty cash payments for the district were not in accord with the N.J.A.C. 6:20-2A.8 and 18A:19-3. The team recommends that the district review and restructure the petty cash system in accord with the New Jersey Department of Education guideline. The district should require that no single expenditure exceed \$150. A written procedure detailing all the steps for petty cash reimbursement should be developed and implemented immediately.**

**All expenditures in excess of \$150 and tuition refunds should be put into the district's purchase system.**

### **Long Term Debt**

The Bayonne City School District is comprised of 11 elementary schools and a high school. One of the schools was acquired in 1898. The high school was built in 1935. The average age of the elementary schools is 83 years. In 1924, due to the increase of student enrollment, the district built additions on two elementary schools. Three additions were built after 1973. The average age of the additions is 41 years.

Due to the ages of many of the school buildings and plans to accommodate the early childhood mandate, the district has a need for both additional rooms and renovation. Since 1985, the city has issued \$66,685,900 in school bonds for school projects, which included an \$8.5 million note. In the \$8.5 million note, \$3.5 million has been authorized but has not been issued. The city is paying 4.8% to 9.115% for these bonds. Since Bayonne School District is a Type I district, the principal and interest payments are included in the municipality's yearly budget.

In a Type I district, the governing body of the municipality appoints the members of the board of education and a board of school estimate. The latter consists of two members of the board of education, two members of the governing body of the municipality and the chief executive of the municipality. They are responsible for approving all fiscal matters for the district. According to New Jersey Statutes Title 18A:24-10 and 24-11, school bonds shall be authorized and may be issued by the governing body of the municipality for a Type I district.

In a Type II district, the registered voters elect the members of a board of education, and either (a) the registered voters also vote upon all fiscal matters, or (b) a board of education approves all fiscal matters. The board of education shall consist of nine members, or it shall consist of three, five or seven members (18A:12-11). According to New Jersey Statutes Title 18A:24-12, school bonds shall be authorized and may be issued by the board of education.

School districts may change from Type I to Type II only with the approval of the voters. The School District of Bayonne was established in 1890. Originally a Type I school district, the district changed to Type II, and then in 1976 reverted to a Type I school district.

For school year 1997-1998, the city carried a debt balance of \$48,470,900 for school projects. Due to the current economy, the city is taking advantage of the low interest rate to refinance these bonds. For the current year, the Bayonne School District carried a debt balance for \$50,000. This debt was issued while Bayonne was a Type II district. Therefore, the principal and interest are included in the district's budget.

### **Surplus**

Surplus is the amount of money held in reserve and left over after the interaction between current year revenues and expenditures. Surplus funds are included in a district's budget in order to provide funds for emergencies or other unexpected items beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used according to established guidelines.

The Comprehensive Education Improvement and Financing Act (CEIFA), effective December 20, 1996, reduced allowable surplus amounts from 7.5% to a maximum of 6%. In accordance with N.J.S.A. 18:A7D-27.1, excess surplus that is over the allowable maximum shall be appropriated. The amount of surplus remaining in a budget can range from under 3% to 6% of anticipated expenditures.

The district's ability to estimate surplus accurately is a function of its success in establishing sound financial controls. These controls ensure the development of accurate surplus estimates and subsequent monitoring to determine whether revenue and expense estimates in the budget are achieved. The controls can further ensure corrective actions when significant deviation from these estimates occurs.

There are trends of school district revenues, expenditures, and annual surplus that enable school districts to estimate surpluses accurately. When a district prepares the budget it knows fairly precisely the amount of revenue it will receive for the upcoming year. Over the past three years (1995-96 through 1997-98), the district's revenue from local tax levy as a percent of total revenue ranged from a low of 69.92% to a high of 71.59%, other revenue from 1.84% to 2.29%, and state aid from 26% to 27.64%. The following table illustrates the district's revenue distribution in the past three years:

	<b>1995-96</b>		<b>1996-97</b>		<b>1997-98</b>	
<b>General Fund</b>	<b>Actual</b>	<b>%</b>	<b>Actual</b>	<b>%</b>	<b>Actual</b>	<b>%</b>
Local Tax Levy	40,267,637	69.92%	42,310,692	71.56%	42,310,692	71.59%
Other Revenue	1,179,089	2.05%	1,090,827	1.84%	1,353,832	2.29%
State Aid	15,919,752	27.64%	15,663,843	26.49%	15,368,134	26.00%
Federal Sources	227,920	0.40%	60,830	0.10%	66,997	0.11%
<b>Total Revenue</b>	<b>57,594,398</b>	<b>100%</b>	<b>59,126,192</b>	<b>100%</b>	<b>59,099,655</b>	<b>100%</b>

Over this time period, the revenue received by the district was exactly what was budgeted for, except from other revenue. The other revenue includes tuition, interest on investments, and miscellaneous income. For school years 1995-96 and 1996-97, the other revenue overestimates ranged from a high of \$62,084 or 5.38% to a low of \$56,762 or 5.55%, respectively. For school year 1997-98, the other revenue was underestimated in the amount of \$55,091 or 4.86%.

The total general fund expenditures have increased \$2.4 million or 4% from the 1995-96 school year to 1996-97 school year and decreased \$1.3 million or 2% from the 1996-97 school year to 1997-98 school year. Over this period, state aid has decreased \$551,618 or 3.5%. For the past three years, the total general fund expenditures were overestimated from a low of \$556,020 or .94% to a high of \$1.5 millions or 2.56%. Inaccurate budget estimates in revenues and expenditures may result in the collection of unnecessary taxes raised by the district. The review team believes that the district, through improved budgeting procedures, can achieve more accurate estimates of revenues and expenditures.

	1995-96			1996-97			1997-98		
			Chg.			Chg.			Chg.
	Budget	Actual	in %	Budget	Actual	in %	Budget	Actual	in %
Local Tax Levy	40,267,637	40,267,637	-	42,310,692	42,310,692	-	42,310,692	42,310,692	-
Other Revenue	1,153,319	1,091,235	5.38%	1,022,809	966,047	5.55%	1,132,756	1,187,847.00	4.86%
Tuition	117,000	87,854	24.91%	126,000	124,780	0.97%	146,370	165,985.00	13.40%
State Aide	15,919,752	15,919,752	0.00%	15,663,843	15,663,843	0.00%	15,368,134	15,368,134	0.00%
Federal Aid	-	227,920		10,000	60,830		22,500	66,997	197.76%
Total Revenue	57,457,708	57,594,398	0.24%	59,133,344	59,126,192	0.01%	58,980,452	59,099,655	0.20%
Total Expenditures	57,881,577	56,941,479	1.62%	59,936,444	59,380,424	0.94%	59,529,370	58,041,756	2.56%
(O)/U Expend	(423,869)	652,919	254.04%	(803,100)	(254,232)	68.34%	(548,918)	1,057,899	292.72%
Other finance. sour.	(271,353)	(268,075)	1.21%	(276,966)	(276,916)	0.02%	-	79,673	-
Surplus or (Deficit)	(695,222)	384,844	155.36%	(1,080,066)	(531,148)	50.82%	(548,918)	1,137,572	307.24%
Beg. Fund Bal.	695,222	695,222	-	1,080,066	1,080,066	-	548,918	548,918	-
Ending Fund Bal.	-	1,080,066	-	-	548,918	-	-	1,686,490	-
Fund Bal./T. Exp.	0.000%	1.897%		0.000%	0.924%		0.000%	2.906%	

Approximately 68% of Bayonne City School's expenses are for salaries. Except during contract renewal years, the district should be able to determine with reasonable accuracy the budgeted amount needed for salaries. However, the salary estimate will usually be higher than actual expenditures as a result of resignations, retirements, etc., which may occur after the budget has been adopted. The remaining 32% of the budget is more variable, although budget projections can be determined through the use of multi-year contracts and purchase agreements. A review of actual salary expenditures for 1997-98 school year revealed that district officials overestimated salaries by 1%.

According to the business administrator, the district has no intention to appropriate fund balance. Funds can be requested from the municipality or through bonds. The district's general fund unreserved surplus is always budgeted zero. For school year 1997-98, the district has a total surplus of \$1,686,490. Most of this surplus (\$1,434,963) is designated to cover the retroactive salary increases for fiscal year ended June 30, 1998.

### **Purchasing and Accounts Payable**

The purchasing operation is organized under the school business administrator (SBA) who serves as purchasing director. The accounts payable unit employs a staff of six secretary/clerks. However, the staff also performs other district purchasing, accounting and cash receivable functions. For the purpose of this analysis, a full-time equivalent (FTE) of four staff will be allocated to accounts payable. The salary budget for this function is approximately \$257,000 (\$277,400 with health benefits). For the 1997-98 fiscal year the unit processed 6,000 purchase orders and 8,476 vendor checks, and incurred overtime expenses of \$12,200.

The district utilizes a "decentralized" purchasing system. Material and supply purchases are made utilizing approved state contracts against cost center budget lines. Purchase orders are generated at the cost center and forwarded to the business office for verification of funds and approval. Upon SBA approval, accounts payable will check contract terms and/or quotations and issue a purchase order, which is entered into the accounting system. Once goods are received at the cost center, receipt verification is signed and returned to accounts payable, where the original purchase order and receiving report are "matched" to the vendor-submitted voucher and invoice, and payment is authorized.

The system is a manual "paper" process from cost centers to the central office. The business office operates an automated accounting system within the accounts payable operation, where purchase orders are "entered" and charged to the school/operations accounts, and payments are entered with the authorization and issuing of a check. However, cost centers are not "connected" to the accounting system and cannot access "on line" the status of either their accounts or purchase orders. Manual status reports are not routinely provided. Utilizing this decentralized method, the district purchased approximately \$2,178,000 in supplies and materials during the 1997-98 fiscal year (Source: 1998 CAFR Exhibit B-2).

### **Recommendation:**

**The district needs to include a purchasing module as a major component of a new, fully integrated, financial management system. The system should provide site-based, "on line" entry of purchase orders and allow for a "paperless" process for the tracking of documents and real time status of procurements and budget accounts as well as cost center input and inquiry capability. This is more fully discussed in the business office computing section of this report.**

The district could gain greater output from its purchasing dollar through participation in a school-based purchasing cooperative, similar to those currently administered by several county-based educational services commissions (ESC), which coordinate the purchasing requirements of a

consortium of school districts. Participation should be done through a competitive process that affords the district the most competitive rates. Statewide, there are over 175 school districts that take advantage of cooperative purchasing to procure general, office, instructional, technical, custodial, and maintenance materials and supplies. An ESC will work with participating school districts to define their annual purchasing requirements (customize a supply order budget book), package them with similar needs from other districts, and coordinate the competitive bidding of these consolidated requirements through a professional purchasing cooperative. The ESC is responsible to meet all legal requirements for competitive bidding, processes all orders, and provides technical support for special needs and requirements over the school year. More importantly, given the extraordinary volume of purchases, it is documented that competitive pricing through cooperative contracts can range from 20 to 50% below current state contract prices. The ESC will normally charge a 6% fee for these services, which includes professional cooperative charges.

Based upon annual supplies and materials purchases of \$2,178,000 and using a conservative estimate of 20% savings, Bayonne could reduce actual purchase costs by \$304,920 by joining a purchasing cooperative, after deducting annual service charges.

**Recommendation:**

**Bayonne should seek competitive bids to participate in a purchasing cooperative.**

**Cost Savings: \$304,920**

Currently, the accounts payable staff processes approximately 6,000 purchase orders and 8,476 vendor checks annually. Four FTE positions are allocated to the accounts payable function. One measure of the relative productivity of accounts payable staff is the number of vendor checks processed per month/day per FTE. In Bayonne, the four staff process the purchase orders which generate an average of 706 checks per month, or 176 checks per FTE per month. Utilizing an annual calendar of 200 workdays per year, this would represent 11 checks per FTE per day.

**Recommendation:**

**Even without the benefit of a fully-integrated financial management system or cooperative purchasing agreement, LGBR is proposing the district take immediate steps to provide benchmarks to improve accounts payable output to a minimum of 15 purchase orders per day per FTE (approximately 2 per hour). If so, the district could eliminate one position for annual savings of \$46,240. Following a business process redesign, implementation of a financial management system and cooperative purchasing process, the district should evaluate the impact on staffing and make additional reductions as appropriate at that time.**

**Cost Savings: \$46,240**

Accounts payable incurred overtime expenses of \$12,200 in the 1997-98 fiscal year. The staff works overtime at the end of the day to count cash receipts as they come in from the ice rink and cafeterias. The district should rearrange work schedules to avoid overtime for these purposes.

**Recommendation:**

**Implement staggered work hours to eliminate overtime for accounts payable staff.**

**Cost Savings: \$12,200**

**Grants and Gifts**

Board policy encourages the development of proposals for grants from all sources. Generally, identifying information and the grant application are sent from the superintendent's office to the individual director of the programs that stand to benefit from the grant. The grant application is then written up under the director's supervision and submitted through the superintendent's office. The district does not have a full-time grant writer or a central grant application office. However, in November 1998, the board contracted with a Washington, D.C. firm for technical assistance with grant services, focusing on coordination between the board and the Department of Education.

The Bayonne School District was awarded a total of \$10,686,765 in state and federal grants over the two fiscal years 1997 and 1998. Carry-overs and forfeitures occurred in both years.

	<b>Total Grant Awards*</b>	<b>Carry-Overs</b>	<b>Forfeitures**</b>
<b>FY'97</b>	\$3,047,857	\$16,659	\$27,074
<b>FY'98</b>	\$7,638,908	\$42,930	\$33,147

\*Includes state, federal and other grant funding.

\*\*Note: Carry-overs and forfeitures can arise from current and/or previous years' grant awards.

Source: 1997 and 1998 District CAFR

The independent auditor's reports of district financial statements for both fiscal years 1997 and 1998 contained findings concerning the unexpended grant funds due to grantor, and recommended the return of all unexpended funds due to grantor.

Board policy number 7230 provides for the acceptance or rejection of proposed gifts to the school district. The accompanying board regulation sets forth district requirements for acceptance of proposed gifts. This regulation requires staff members who are approached with gift proposals to refer the donor to the principal or administrator. School principals or administrators of the program to benefit from the gift may accept the gift directly. However, district regulation requires that person to provide specific written notification to the superintendent concerning gifts accepted.

In asking about gifts other than monetary donations, the review team learned that the notification requirement is not uniformly adhered to in the district. Additionally, no record is kept in the central office concerning receipt of such gifts or the value of the gifts received, even when they are presented through the central office. The former is required by board policy; the latter is of

importance in protecting district property and for replacement purposes due to vandalism, theft, fire, or other casualties. When asked by the review team about gifts other than monetary donations, several principals and administrators acknowledged receipt of various goods, often used articles donated for further use by the school or office. Rarely had they notified the central office of their acceptance of these gifts.

### **Recommendation:**

**LGBR recommends that the district aggressively monitor grant-funded program expenditures in an effort to ensure timely, compliant expenditure of all grant dollars awarded. Using the average figure of those grant awards returned from the district to the state and federal governments in fiscal years 1997 and 1998, district programs will realize approximately \$30,100 in additional revenues per year.**

**Revenue Enhancement: \$30,100**

### **Business Office Computing**

Although the school district has been cited for its progress with educational computing by the Department of Education and national magazines, the same cannot be stated regarding the status of its business computing. The system was not Year-2000 compliant, and an upgrade to its payroll system seriously impeded the daily operations of the business office. The purchasing system is almost completely manual and does not integrate with the accounting system. The accounting system and payroll systems do not possess some of the flexible functions found in some other GAAP-compliant software available to New Jersey school districts.

The district has been using the same vendor for several years and recently made a change with the payroll program. While major system upgrades or changes are rarely smooth, and this one certainly was not, districts have an easier time if they involve affected departments early in the process and integrate the end users' input for the upgrade when feasible.

The district is still using typewriters and dumb terminals for its accounting system, and the system was on a mini-computer. The district did not have the capability to perform flexible reports without programming support from the vendor, and the systems were not fully integrated. The district's software does not integrate well, is not used to its full potential, and impedes the efficiency of the business office. Training is not provided as often as it should be; there should be a program in place to allow employees to develop stronger skills in applications used by the district.

Using the purchase order workflow process as an example, the district can improve its work process design. The district should allow the schools to start the purchase order process on-line and then permit the district's central office to modify the purchase order request and approve it on-line. The purchase order should then be crossed over to the accounting system for accounts payable and asset management when applicable.



This system could also better use automation. Currently, the purchase order system only permits entry after the approval process is complete. This does not improve upon the effectiveness of the system and does not allow for tracking or for encumbrances to be temporarily earmarked until after the final approval process is complete. There are systems that permit this.

The raw cost-per-purchase order for business office (accounts payable) personnel is over \$46 per purchase order. This does not include school administration charges, nor other central administrative charges, which could more than double the cost of each purchase order. There are more people employed in the accounts payable section in Bayonne than in other districts of similar size or larger. Automation would result in a more efficient system with fewer people.

The payroll system was changed for 1998-99 to an upgraded system. The new program was wrought with bugs, and, as a result, the payroll process was hampered. The district required the computer services company to assist in completion of the payroll every pay period through December. The newer system has less flexibility than the system it replaced. Also, the new system does not permit the district to account automatically for time through time clocks or pass cards. The district, as a result, was looking into alternatives to replace the newer payroll system.

**Recommendations:**

**The district should improve its workflow process with a more effective design for a school business operating system. The process redesign should take a fresh look at how work needs to be done in the office.**

**Value Added Expense: \$10,000**

**The district should also solicit bids for alternative computer systems in order to improve the efficiency and effectiveness of the district's business operations. This can best be illustrated by the purchase order process and the current state of the payroll system. The costs will be offset because fewer people will be required to accomplish certain tasks.**

**Value Added Expense: \$100,000 - \$150,000**

**The district, in conjunction with new technology vendors, should undertake a training program that continually improves the effectiveness of its workforce. Better use of automation would result in a more responsive business office. If the business office were to budget and invest \$100 per staff member per year in computer and software training for business office staff, the improvement in productivity for the district would pay for itself several times over. The cost to train 50 staff members would be \$5,000.**

**Value Added Expense: \$5,000**

## SERVICE CONTRACTS

### **Auditor Fees**

The district has utilized the services of the same auditor for three years for its annual audit. The district expended a total of \$39,000 in 1997-98 for audit fees. The auditor is appointed annually by board resolution.

There are no recommendations in the auditor's reports regarding the incorrect use of accounting codes. However, the review team identified errors and incidents of inaccurate reporting in the CAFR reports due to the use of incorrect accounting codes used by board employees.

A comparative review of auditor fees charged to surrounding school districts was conducted. The Bayonne City Board of Education is paying a comparable rate for its auditing services.

	<b>Bayonne</b>	<b>North Bergen</b>	<b>W. New York</b>	<b>Harrison</b>	<b>Jersey City</b>
<b>Audit fees</b>	\$39,000	\$42,000	\$35,000	\$38,000	\$92,000

### **Recommendations:**

**The district should request its auditor to extend the audit testing to ensure that the district is charging its expenses to the appropriate accounts in accordance with the Department of Education's guidelines.**

**The district should seek requests for proposals (RFP) for the purpose of promoting competitive audit fees from different accounting firms. Also, the district must enter into a formal written agreement with its audit service providers to specify the nature of services to be provided based upon contracts awarded per RFP.**

### **Legal Fees**

Legal fees for the Bayonne School District totaled \$191,629 for 1997-98, not including the board attorney's salary of \$50,006 and benefits. This is considered to be excessive. The Comprehensive Annual Financial Report for school year 1997-98 only disclosed a total of \$112,095 expended for legal fees. A difference of \$79,534 for legal expenses was incorrectly charged to various accounts and functions. Legal fees were charged to Purchased Professional and Technical Service, Miscellaneous, Supplies and Materials, etc. These incorrect account codings caused the district to under-report its legal expense and over-report other expenses.

The district, by resolution, appoints a law firm for legal service; however, there is no contract to outline the duties to be performed by the law firm. The law firm is presently compensated at the rate of \$100 per hour for regular board matters and \$150 for labor and litigation. The law firm is paid for out-of-pocket costs for expenses such as photocopies, postage, fax messages, and computerized legal research. The law firm charges no retainer fee. Most of the fees were paid for board meetings, litigation, personnel complaints, school construction, and review and preparation

for unfair labor practice cases. The district has used the same law firm for many years. In addition to this law firm, the board paid fees to three different law firms to handle various legal matters or suits. These firms charged the district \$150 to \$170 per hour for their services.

The board has a part-time board attorney. He has been working for the board for more than 15 years. In addition to attending board meetings, he is responsible for issues involving student discipline, liability cases, budget appeal, legal letters, bid and contracts, etc. His fees are paid through the board's payroll system. He also receives medical benefits and pension. The board attorney shares the office and secretary with the board secretary in the central office. The board attorney works between 20 and 26 hours per week. The district has a policy regarding the board attorney's duties. However, the policy is broad and vague. If there are any legal questions or cases related to federal law, the board attorney refers to the outside attorney. All staff members have access to the board attorney.

A comparative review of legal fees charged to the North Bergen, West New York, Harrison and Jersey City school districts was conducted. The following is a comparison of the basic rates for legal services for 1997-98:

	<b>Bayonne</b>	<b>No. Bergen</b>	<b>W. New York</b>	<b>Harrison</b>	<b>Jersey City</b>
<b>Total Legal Expenses**</b>	\$241,635	\$336,790	\$175,290	\$46,670	\$150,184
<b>Hourly rate</b>	\$100 - \$150	\$115 - \$140	\$75	\$125	\$125
<b>Retainer Fees</b>	0	0	0	\$20,000	0
<b>School Attorney Salaries</b>	\$50,006	\$32,000	0	\$26,670	\$146,066

\*\*Includes salaries for school attorney

### **Recommendations:**

**The district should seek RFP's for the purpose of promoting competitive legal fees from different law firms. The district should enter into a formal written agreement with its legal service providers to specify the nature and extent of services to be provided based upon contracts awarded per RFP.**

**The district should track, by case number, the number of legal hour costs incurred. This case management technique, where a case number is provided by the attorney, can give the superintendent and the board important information about the total costs per month and case-to-date costs for future determinations, such as budget and actions to take regarding grievances or other potentially litigious matters.**

**It is recommended that the board consider hiring a full-time attorney. Based on comparable positions, an attorney could be employed at a salary of approximately \$97,500 including benefits. At the present time the district employs a part-time attorney at a salary of \$50,006 plus benefits and contracts out for additional legal service that totaled \$191,629**

in the 1997-98 school year. By reducing the number of billable hours for outside legal services by 50%, the district would save \$95,814 in fees. The increased cost between the present part-time, in-house attorney and a full-time attorney is approximately \$32,500. This would result in a net saving of \$63,314.

**Cost Savings: \$63,314**

## INSURANCE

### Health Insurance

The board of education has been out of the state health benefits plan for many years and has been insured with a traditional indemnity plan since leaving the state's plan. The board has tried numerous times to act upon suggestions made by the insurer and by a hired third party to institute cost savings, but has not been successful in negotiating these changes.

The city has two brokers serving all of its insurance needs, and the school district has the same policy. The total commission paid by the insurer to the brokers was \$246,782 on a policy premium of \$5,653,017. This rate of 4.36% falls within the insurer's commission schedule for new business but appears to be high for continuing business. The plan covers all eligible employees and retirees who by contract meet the specification for retirement, which is different from the state statute for eligibility of 25 years of service.

The enrollment numbers from May 1998 indicate that the board insures the following:

<b>Plan/Level of Coverage</b>	<b>Traditional</b>	<b>Dental</b>	<b>Traditional BCBS-Retired</b>	<b>MM Retired</b>	<b>HMO</b>	<b>Totals</b>
Single	238	248+55 (303)	20	51	55	<b>364</b>
Parent/Child	30	32+10 (42)	0	0	10	<b>40</b>
Family	521	527+67 (594)	5	17	66	<b>609</b>
<b>Totals</b>	<b>789</b>	<b>939</b>	<b>25</b>	<b>68</b>	<b>131</b>	<b>1,013</b>

According to the insurance bills from the broker, there are approximately 68 retired employees who have less than 25 years' pensionable experience and receive major medical benefits and pay a portion of the costs. There are also 25 employees who have both major medical and traditional coverage; some Medicare eligible retirees may be receiving duplicate coverage. This is primarily due to the poorly written contract for benefits which does not specify in writing any minimum time served prior to retirement and does not mention levels of contribution. The levels of contribution resulted in annual costs to the district of about \$171,145 more for health benefits than the statute requires. Please refer to the Collective Bargaining Section for further details.

There were five retirees who pay part of their health benefits and were possibly eligible to receive state health benefits at the time of retirement. The review team alerted the broker, who picked up the investigation. The review team also uncovered that the district was paying for benefits for a person who had been dead for almost a year. The insurer was investigating this and may issue a refund for excess premium paid. The district also allowed spousal survivors to continue

coverage in excess of the COBRA regulations. This benefit was considered to be excessive and outside of the existing contract. There were six individuals who were receiving major medical benefits for a net district cost of \$8,396. In addition, there were three individuals who received survival spousal benefits not mentioned in any contract for a net total cost to the district of \$6,071. The total savings to the district if these individuals were switched over to COBRA would be \$14,467 per year.

**Recommendation:**

**The employees who may be carrying duplicate coverage should be dropped to the appropriate level of coverage.**

**Cost Savings: \$14,467**

**Prescription Plan**

The board also has a prescription plan that is even more generous than the state's prescription plan, and is also much higher in cost per prescription when compared to the marketplace for prescription plans. While the board is self-funded for this policy, it appears that any type of medication can be covered under this plan, from vitamins to injectable cancer medications. The school board paid approximately \$1 million for prescription drug coverage for all eligible employees and retirees.

The insurer is charging the district average wholesale price for medications. The prevailing rate is 13% to 15% below the average wholesale price. The prescription plan administrator responded when queried about the rate structure that they were going to be changing rate structures for their clients. The rates charged were at least seven years out of date. The district was never approached about rate adjustments, and other bids were not considered though the savings were substantive.

The review team conducted a price comparison sampling of drugs between the plan utilized by the district and other districts' plans. The comparison revealed that the district might be overpaying for its prescriptions by over 25%. If the district were to switch to another prescription plan it could save over \$250,000 in prescription plan costs.

**Recommendation:**

**The district should solicit bids from a variety of prescription administrators. The current pricing from its administrator is about 25% over others in the market.**

**Cost Savings: \$250,000**

**Workers' Compensation & Property/Casualty Insurance**

The board of education has had a dual-broker relationship for all of its property and casualty insurance for over 10 years. The board decided that it would use two brokers, but this has come at the price of higher-than-average commissions and insurance. According to one of the brokers,

it doesn't matter how much the commissions are, but rather how much it costs to manage the risk. According to information provided by the broker, the district will spend \$680,383 for property and casualty insurance in 1998-1999.

The board recently chose to go to a pooled insurance plan over the traditional indemnity insurance plans. This spreads the risk among several districts and lowers the overall cost to the school district. But the plan needs to be followed up with strong risk abatement techniques and analysis of data to reduce the occurrence of preventable accidents. The district was able to increase the ceiling levels of liability coverage from \$1 million to \$5 million at no increase in cost and to share the risk with a number of districts. This effectively lowered the risk for the excess umbrella policy, yet the price remained the same.

The excess policy should have reflected the reduced risk exposure and did not. The broker is investigating whether this will result in significant savings. The district also appears to be responsible for a disproportionate share of this excess policy. It is one of the larger districts in the pool, but whether its portion of the risk assessment is equitable should be investigated.

#### **Recommendation:**

**The district should consider going to the insurance market for just this excess policy. Based upon conversations with the broker regarding the increased coverage and the current pricing conditions of the marketplace for commercial insurance, the district may be better served outside the pool for placement of the excess policy.**

The district has a better-than-average record for loss experience with an experience modification of .849 for workers' compensation. The district has also been lauded by both the insurance industry and the Department of Education for its "doctor on staff" program. The district's doctor is an integral part of worker's compensation and the return-to-work functions of the program. The coverage has reflected a 20% managed care credit because of the effectiveness of this approach. However, the district needs to become more attentive to workplace safety and monitor workplace injuries in order to ascertain methods to prevent reoccurrence of preventable injuries.

#### **Recommendation:**

**The district, in conjunction with the third party administrator, should establish a safety committee, which would evaluate ways of preventing future injuries based upon the experience of the district. The district should also consider a salary audit to ascertain whether the district is paying its fair share of premiums.**

The broker has been successful in moving the district over to a pooled insurance plan, but the district has not seriously considered the viability of a joint insurance fund, which can offer significant savings to a district even when measured against an insurance pool. Joint insurance funds are not subject to the same taxes or rules as full insurance is. At renewal, it is suggested that the district consider whether a joint insurance fund is a viable alternative to the current situation.

**Recommendation:**

The district should consider all alternatives to full insurance in order to arrive at the best method to mitigate risk. Traditionally, joint insurance funds offer a less expensive alternative to full insurance. The district is likely to save between 10 and 15% of its property and casualty insurance premium of \$680,383, or \$68,038 to \$102,051, due to increased competition even if the district does not switch. Depending upon the joint insurance fund selected, the district has the option of paying for its own risk manager or hiring one who can work for the district full-time.

**Cost Savings: \$68,038 - \$102,051**

The district was not able to provide the review team with sufficient evidence to justify a dual broker relationship. The district should consider entering into a relationship with one broker and continue to look at what the marketplace has to offer. The district is fortunate to have established a relationship with a broker who has shopped for the best in coverage options in the insured marketplace, but there are other options for mitigating risk. Opening competition within these sectors can be a benefit to the district.

**Recommendation:**

It is the team's belief that the best method for assuring the appropriate type and level of insurance at the lowest cost is to retain for a fee, not a commission, a qualified risk manager to review the risk in all areas, i.e., property, casualty, liability, health and other employee benefits and recommend the appropriate coverages for which insurance should be purchased. The risk manager would also directly place needed insurance on a no-commission basis with insurance companies or state health benefits. This approach assures the district of getting insurance recommendations which are not influenced by the amount of commission that would be paid.

The district should only pay the prevailing rates for risk management coverage with the types of insurance or other risk management modalities chosen by the district. If the district wishes to employ more than one broker, the brokers should split the commission, not increase it. The district should question the insurance underwriter, a third party administrator, or other brokers to determine what a fair and reasonable rate would be.

**Facilities AND OPERATIONS**

Bayonne school facilities consist of 1,288,969 square feet of space as follows:

10 Elementary Schools (K-8)	828,414 square feet
Gifted and Talented School (4-8)	29,780 square feet
High School (9-12)	381,839 square feet
Ice Rink	48,936 square feet

The supervisor of buildings and grounds (B&G) who reports to the business administrator has responsibility for the maintenance and operations of facilities. These services are provided through the use of district employees supplemented with contract services for more technical needs. Engineers, custodians, maintenance staff, and bus drivers are all covered under the same collective bargaining agreement, and the district is allowed great latitude in making interim “short-term” assignments and shift changes under the terms of the contract.

Engineers and custodial staff are assigned to each school to perform daily cleaning, general boiler maintenance, and minor repairs and they report to the school principal. Building trades are assigned from B&G to perform more complicated maintenance and repairs, both emergency and scheduled, through a work order system. B&G also allocates “substitute” engineers and custodians to schools on an as-needed basis through the assignment of trades staff (and bus drivers) to “fill in” during vacations and/or sick leave. B&G will also utilize “per-diems”, non-union employees who are paid a fixed amount per day (\$55 for custodians and \$70 for engineers) and receive no other benefits. They are used to supplement district staff in the high school and ice rink and when new hires are required in elementary schools. Bus drivers and aides are also assigned to supplement daily school cleaning and porter needs after morning runs are completed, although individual school principals indicate that this is an unpredictable and unreliable method for providing replacements.

Utility bills for each school are sent directly to the business office for payment. Each school is provided a budget for cleaning chemicals and supplies and orders directly from suppliers utilizing state contracts. The budget, inventory control, and orders for maintenance materials and supplies, and some bulk custodial supplies, are handled by B&G. In these cases, invoices are forwarded to the business office for payment. As a result of this ad hoc process, it is not possible to capture all of the costs associated with the operations, maintenance, and management of school facilities in a way that could provide reports to schools through B&G management on consumption or utilization patterns. Without such information and reports, B&G is not able to manage and/or adjust its resource allocations in the most cost effective manner.

The general observed condition of the schools is good given the age of the inventory. The original structures of all schools but one were built before the 1930’s, although several had additions built in the 1970’s and 1980’s. The Midtown Community School was built in 1992. Four schools have new early childhood additions under construction.

Through the use of capital dollars, the district has invested in the exterior “building envelope” of the schools. The roofs, walls, and windows are in excellent condition. However, even though the older elementary schools are “dry and clean”, because of their age they appear “dingy” and poorly lit, especially in corridors. In addition, schools are forced to meet space needs on an ad hoc basis as most cafeterias and support spaces are located on lower levels, or worse, in closets, since schools did not provide lunch or special programs when the city’s elementary schools were constructed. This is a common problem in urban districts, and short of a miraculous influx of “found” capital dollars, is not likely to be structurally remedied in the near future. It is offered here as an observation so that “low cost” solutions may be suggested and/or future capital projects can be directed, in part, to help mitigate these deficiencies.



One such “no cost” solution is offered here for consideration. The district should establish an elementary school “scheduled painting program” without adding any additional resources. Two existing B&G trades staff could be dedicated to perform interior painting in the 11 elementary schools on regular intervals of two to three years. For example; working evenings, if the painters were to spend two months in each elementary school addressing painting needs in priority order (hallways, stairwells, interior spaces etc.), they would be able to visit each school every 22 months. On each succeeding visit priorities would be reestablished. Over time, through this scheduled program, the entire interior of the schools could be repainted in a five-to-six year cycle, perhaps less. The schedule and performance of the painting staff would have to be monitored and adjusted as necessary. The key to the success of the program, as with any scheduled or preventive maintenance program, is to keep the manpower dedicated to the service. Admittedly, this proposal may not be perfect and would require ongoing adjustments. However, it would be a dramatic improvement as now there is no program in place. A little bit of paint can go a long way in improving the appearance and “learning environment” in a school.

For the high school, given its size, the district should seek competitive bids for a four-year interior painting schedule and have work performed annually, during the summer recess. It is estimated that an eight-week summer painting program, including five painters, would cost the district approximately \$50,000 per annum.

### **Recommendations:**

**The district needs to improve the budget and planning process with more direct input from school principals on setting priorities for the completion of current and backlog work orders. All facility costs need to be budgeted and accounted for in the B&G budget. B&G management needs to see regular reports on utility, material, and supply usage so it may more effectively “manage” resources. (For potential cost savings that may result from this recommendation, please refer to the recommendations located in the “Work Orders” and “Staffing/Cost of Operations” sections of this report).**

**Establish a district-wide, scheduled “painting” program. The district should also conduct regular light meter readings in corridors and interior rooms without ambient lighting to ensure that minimum state standard lighting levels are maintained.**

**Value Added Expense: \$50,000**

### **Work Orders**

Work orders are generated at the school level for repairs and corrective actions. They are signed by the principal and forwarded through interoffice mail to B&G. The supervisor or foreman inspects the work and determines its priority. Any emergency condition, which threatens the health or safety of students and staff, is repaired as quickly as possible on a priority basis. All principals interviewed expressed satisfaction with B&G staff response to emergency needs. The supervisor of B&G prepares a monthly report of work orders completed. However, there is no accounting of the time lapse from receipt of a request to completion or the number of work orders received and not completed, i.e., backlog. Both measures are common indicators of the

success of a facility maintenance program. The district does not utilize any automated system to log, track, schedule, or prioritize work. The current manual process does not allocate staff (man-hours) or material resources to individual work orders. For this reason it is not possible to determine either the true cost of maintenance work or to allocate this work to individual schools. Both benchmarks would provide a measure of where “abnormal” resource utilization is taking place so that management could develop corrective action plans. Since no reports capture backlogged work orders, it is not possible to plan accurately or predict work, and principals do not have an opportunity to help set priorities within their schools. B&G staff are also utilized to perform renovations, using capital or operating dollars, which defers the completion of reported and needed repair and maintenance work.

Materials and supplies are ordered utilizing state contracts. A basic inventory of material is maintained at the district’s 9th Street warehouse. Other requirements are ordered and delivered or picked up using district staff on an as-needed basis. The district maintains a detailed “manual” inventory control system for material and tools with appropriate “reorder” points, which is commendable for internal control intent, but an inefficient use of district staff.

The district needs to purchase a facility management, personal computer (PC) based, work order processing system and invest in the appropriate staff training to implement and support such a system. There are several such packages available on the market that are specific to school applications. Districts in the vicinity, which recently implemented such systems, include Newark, North Brunswick, and Edison. A properly managed system would link work orders to an inventory control/reorder process; affix material and manpower costs to individual work orders; set priorities; plan and schedule both planned work and preventive maintenance; provide reports to schools on the status of repair work, backlog, and scheduled completion; provide regular reports on resource allocation to schools; and provide a management tool to support staffing needs, resource allocation, and standards for each school and the district. The system could also allow on-line entry of work orders directly from schools and support other district data needs including automated budget preparation, a time and attendance reporting system, and regular “real-time” status of overtime needs and staff assignments. A configuration with a host computer at the B&G facility that is linked to each school and the central office along with a “hot line” for emergencies should be established. Implementation would include set-up and training, “loading” backlogged work orders, and annual maintenance and support. The cost is estimated at \$25,000 for the first year and approximately \$2,000 per year thereafter.

It is estimated that the implementation of an automated system will save a minimum of 10% of material and maintenance contract costs in the first year through reduced inventory and improved efficiency. B&G expended \$1,429,810 for maintenance materials, supplies and service contracts during the 1997-98 school year.

### **Recommendation:**

**Purchase and implement a PC-based automated work order process system. Estimated annual savings of \$142,980 are “netted out” against initial first year cost of \$25,000.**

**Cost Savings: \$117,980**

### Staffing/Cost of Operations

As indicated, the total cost for utilities, facility maintenance and repairs is currently distributed among various district budgets. However, using baseline data as reported by the district in its 1997-98 Comprehensive Annual Financial Report (CAFR), supplemented and verified with year-end expenditure and vendor reports, LGBR developed a spreadsheet identifying all facility costs. Where possible, these costs were allocated to the school level. From this analysis it was determined that the district expended \$6.5 million in total operating costs for schools, the component parts of which are represented in the following chart. Please note that the district's water and sewer bills are paid directly by the City of Bayonne and are included for information purposes (\*):

<b>OPERATING COST 1997-98 BUDGET YEAR</b>	
<i>Utilities (District)</i>	<i>\$1,395,124</i>
<i>Cleaning</i>	
Salary	2,414,002
Supplies	134,840
<i>Subtotal</i>	<i>2,548,842</i>
<i>Maintenance</i>	
Salary	1,085,039
Material	486,275
Contracts	808,695
<i>Subtotal</i>	<i>2,380,009</i>
<i>Insurance</i>	<i>212,100</i>
<b>Total District Cost</b>	<b>\$6,536,075</b>
	<b>\$5.07 per square foot</b>
<i>Utilities (City)*</i>	<i>500,000</i>
<b>Total Operating Cost</b>	<b>\$7,036,075</b>
	<b>\$5.46 per square foot</b>

To address the issues of staffing and cost of operations, it is necessary to “compare” the level and cost of services between Bayonne and other available benchmarks. *The American School and University* performs annual surveys of school districts around the country and provides reports on the cost to provide maintenance and operations (including payroll, outside contract labor, gas, electricity, heating fuel, equipment and supplies etc.) on a regional level. Region 2 includes New York and New Jersey.

The following table summarizes these comparative findings. It should be noted that the district conducted a reduction in force of 10 custodians at the beginning of the current 1998-99 school year as a result of a budget reduction. To help demonstrate the impact of this reduction, there is a column for actual 1997-98 school year costs and a column for the 1998-99 school year at a constant level of expenditures **without** the salaries of the laid-off custodians:

**MAINTENANCE AND OPERATING COST  
EXPRESSED IN DOLLARS PER SQUARE FOOT**

<b>Cost Component</b>	<b>Bayonne '97-98 Actual Cost</b>	<b>ASU Region 2 NJ NY Dec-98</b>	<b>Bayonne '98-99 After RIF</b>
<i>Payroll</i>			
Custodial	\$1.87	\$1.81	\$1.66
Maintenance	0.84	0.79	0.84
<b>Total *</b>	<b>2.71</b>	<b>2.60</b>	<b>2.50</b>
<i>Utilities</i>			
Natural Gas	0.33	0.40	0.33
Electric	0.64	0.70	0.64
Other Fuel	0.00	0.27	0.00
Other**	0.40	0.18	0.40
<b>Total</b>	<b>1.37</b>	<b>1.55</b>	<b>1.37</b>
<i>Maintenance</i>			
Supplies	0.48	0.35	0.48
Contracts	0.62	0.32	0.62
<b>Total</b>	<b>1.10</b>	<b>0.67</b>	<b>1.10</b>
<i>Misc. ***</i>	<b>.28</b>	<b>0.16</b>	<b>.28</b>
<b>Grand Total</b>	<b>\$5.46</b>	<b>\$4.98</b>	<b>\$5.25</b>
<b>SF/Custodian</b>	<b>17,186</b>	<b>17,760</b>	<b>19,830</b>

\*Includes health benefits for district, “fringes” for ASU

\*\*Water and sewer, paid by the city

\*\*\*Trash, insurance

While this data can be helpful in terms of “benchmarking” Bayonne’s costs against regional averages, one must be careful in drawing conclusions from these comparisons. For example, Bayonne has been very aggressive in “fuel switching” (converting boilers from oil to natural gas). The district is commended as its expenditure for natural gas is below the regional average, and it does not have any expense for “other” fuel (oil or coal). However, this does not make Bayonne’s utility consumption of \$.23 per square foot “better” than the regional average. Conversely, the district’s cost for custodial and maintenance contracts is \$.30 higher than the regional average. This suggests further evaluation only, not necessarily an area of expenditure that can be “cut-in-half.”

These caveats notwithstanding, as indicated, the total cost of operating and maintaining facilities was \$.48 per square foot higher than the regional benchmark for the 1997-98 fiscal year and \$.38 higher than the benchmark after the September, 1998 reduction in custodial staff is considered. Based on these observations, areas of potential savings are recommended. (Please Note: Recommendations for saving in material and contracts are included in the “Work Order” and “Purchasing” sections of this review).

### **Custodial Staffing**

As a result of the reduction of staff in the 1998-99 school year, Bayonne is \$.15 below the regional benchmark for custodial staff cost and exceeds the benchmark for square feet/custodian, the amount of space in square feet that each custodian is cleaning on a daily basis. LGBR concurs with the current level of custodial staffing. However, it is important for B&G management to monitor and ensure that there is no resulting decrease in the cleanliness of the schools or increase in overtime cost.

**Please Note: Since the preparation of this report, the district hired back the ten (10) custodians referenced above, utilizing funding contained in a special appropriation. LGBR would strongly recommend that the district reconsider this action, and instead commit resources to implementing an integrated facilities management work order process.**

### **Overtime**

The district expended \$111,735 in overtime payments for engineers and janitors in 1997-98, or 9% of total salaries. Fifteen individuals had overtime payments that exceeded 10% of their base salaries with five cases where overtime exceeded base by more than 25%. For maintenance staff, the district expended \$154,383 or 12% of total salaries. Four individuals exceeded 10% of their base salaries, and one exceeded 25%. All overtime is subject to the approval of the superintendent of building and grounds. As reported by the district, overtime is generally required for four causes: emergency repairs and/or clean-up, scheduled events, weather, and, to a lesser degree, absenteeism. However, the district does not currently capture the causes for overtime payments.

The district should begin reporting overtime by cause, on a school-by-school basis, as a first step in developing an overtime management plan. While overtime is often necessitated by real “emergencies”, it is often the result of poor planning and scheduling of activities, improper allocation of staff resources to the appropriate shift/work week, and a lack of accountability at the cost center where the overtime is generated. A component of the plan should include a budget line (allowance) for overtime in the following areas: a) at each school for overtime required for school-based and planned activities; b) athletic department; c) community programs for after-school activities; and d) buildings and grounds for emergencies. There should be monthly reporting of overtime use and account balances. While the annual savings will vary based upon the number of actual facility emergencies, LGBR is identifying immediate minimum savings of 50% for engineers and custodians over 1997-98 expenditures (\$68,000) and 30% savings for buildings and grounds staff (\$13,000), through the establishment and enforcement of an overtime policy. Greater reduction in the need for overtime could be realized with the full implementation of an automated work order system.

### **Recommendation:**

**The district should implement an overtime control and management plan.**

**Cost Savings: \$81,000**

## **Outsourcing**

As indicated, through the implementation of a work order system and overtime management plan, the district could save a minimum of \$198,980 in operating costs. However, another consideration for cost savings is the “outsourcing” of these services, the hiring of a private contractor to provide the maintenance and cleaning of schools with management and staff that are not district employees. The estimated 1998-99 cleaning and maintenance cost for the district is approximately \$4.6 million or \$3.60 per square foot, (\$1.4 million in contracts and supplies and \$3.2 million in salaries, after adjustment for the September, 1998 reduction in custodial staff).

Utilizing an average of \$2.80 to \$3.00 per square foot for custodial and maintenance services, an average for privatized services in other North Jersey districts, Bayonne could realize annual savings between \$773,380 and \$1,031,175 per year. The range of cost for outsourcing services can vary widely given the goals and specifications of the request for proposals, the condition of existing facilities, and the salary and benefit requirements for existing employees that are placed upon the successful contractor. For example, the Bayonne proposal could require the contractor to “rehire” existing custodial and maintenance staff, purchase and install an automated work order system and/or provide a scheduled painting program.

Outsourcing of services in schools is a recommendation that is not entered lightly. There are many issues, from the security and safety of students and staff and the status of existing employees, to the protection and preservation of district assets, which have to be given careful consideration. However, there are numerous districts in New Jersey that have contracted services successfully to both save tax dollars and meet other district objectives. In fact, Bayonne currently contracts for food services. Accordingly, for the demonstrative purpose of estimating savings, LGBR is proposing that contracted services could be provided at the mid-range or \$2.90 per square foot for savings of \$902,278 per year.

## **Recommendation:**

**Outsource the provision of custodial and maintenance services to the schools.**

**Cost Savings: \$902,278**

## **Energy Management**

The district has been aggressive in the areas of fuel switching (converting from heating oil to natural gas) and demand-side energy management controls and retrofits. All schools are heated with natural gas and have been retrofitted with energy efficient bulbs and ballasts. The district also maintains a “central station” at the Midtown Community School, where the boilers and temperatures for all schools are monitored and controlled. The district has also incorporated energy standards in its window replacement program. However, the district has not taken advantage of the competitive market for the procurement of natural gas. Some discussion has taken place between the district, city, and housing authority on the joint bidding of natural gas. However, nothing has been initiated to date.

## Recommendation:

The district should initiate an *immediate* dialogue with city and housing authority purchasing officers to initiate the competitive bidding of its natural gas. Although savings potential has been diminished with the phasing out of the gross receipts franchise tax, it is estimated that the district could save 5 to 10% of its expenditure through a joint competitive procurement of natural gas. LGBR assumes the mid-point of this range (7.5%) for estimating savings.

**Cost Savings: \$32,000**

## Community Facilities

The district has four designated community facilities: three community schools which offer adult education classes, Youth Enrichment Programs, classes in arts, crafts, reading (pre-K), after school fitness programs and community activities during evenings and weekends; and an ice rink located on the high school grounds. Two of the community schools offer very specialized programs which, along with the ice rink, are presented here in greater detail:

The Midtown Community School provides 4,280 square feet of space for the exclusive use of the Bayonne Police Athletic League (PAL) for both administrative and program purposes including a boxing ring designed and constructed for exclusive PAL use (2.6% of building total). The school shares the use of 5,040 square feet including classrooms, auditorium/gym, and cafeteria (3.1% of building total). Programs run from 3:00 p.m. – 11:00 p.m. Monday to Friday and daily on Saturday and Sunday. There is no lease in place. The Midtown School provides “building supervision” through a stipend to administrative staff to “secure and safeguard” the district’s property. Even though PAL charges for participation in its programs, it does not pay rent or make any contribution for utilities, maintenance, or operation of the building. Using actual 1997-98 cost per square foot for utilities, cleaning, and maintenance, the following chart summarizes the district’s direct contribution to the PAL program.

Please Note: State school law permits local Type I school districts, upon approval of a board of school estimate and a bond ordinance of the municipality, to authorize school district debt. The retirement of the debt is the obligation of the municipality. LGBR calculated debt service of \$11 per square foot or \$47,080 per annum for the PAL space in the Midtown School from documents on “Permanent Direct and Contingent Debt Issued and Outstanding (as of August 31, 1998)” prepared by the City of Bayonne. The amount is offered here for information only. It was not factored as part of the district’s direct cost for providing this space.

<b>DIRECT DISTRICT COST TO SUPPORT PAL PROGRAM</b>	
<b><i>Cost Component</i></b>	<b><i>Annual Costs</i></b>
Operating \$5.66 per sq. ft.	\$24,225
Salaries	\$85,000
<b>Total</b>	<b>\$109,225</b>

As indicated, the district makes a direct contribution of over \$109,000 per year out of current operating expenses to support the PAL program, without any written agreement or lease document to codify this contribution. In addition, the district provides an indirect contribution, through the use of 5,040 square feet of classroom, gym/auditorium, and cafeteria space, to support the program at no cost to PAL.

#### **Recommendation:**

**The district should immediately formalize the PAL use of district property through the execution of a lease or letter of understanding. PAL should be charged for the actual utility and operating costs directly associated with the PAL administrative and boxing space in the building and reimburse the district for staff expenses to monitor and coordinate PAL programs within the building.**

**Cost Savings: \$109,225**

It should be noted that in addition to facility costs and staff salaries noted above, the current expense portion of the budget is used to fund nearly all of the costs associated with community school activities. Another example of using current expense subsidy is the agreement between the city department of recreation and the district for a Saturday basketball program. In this case the district supplies uniforms, accident insurance, the salaries of the coaches and overtime cost for the custodians. However, both the district athletic department and PAL also support basketball programs. The district and these agencies must develop a plan to avoid duplicating services and to establish an appropriate fee schedule for programs.

LGBR understands the philosophical differences surrounding fee-based programs and non-fee programs, but a policy needs to be developed to address the amount of tax subsidy that is appropriated for programs of this type. It should also be ascertained whether the activities should be supported by user fees or some other means. Fees, where appropriate, should be updated on a regular basis based on the actual quantifiable cost of services.

#### **Recommendation:**

**The district should develop a policy governing the use of facilities that is equitable to all users. In addition, a study should be made to find and eliminate duplication of services by the different agencies using the facilities and serving the students and community. The policy should specify that the district not subsidize outside activities or programs with current expense funds.**

The Lincoln School is home to the district's indoor swimming facility, which includes Olympic-sized competitive swimming and diving pools as well as a special education "exercise" pool. (The school is also a special education facility for the district.) In addition to district-sponsored sports events and a "learn to swim" program for all district third graders, the pool is made available to the community during "open" periods for a nominal charge. LGBR observed that the cost of utilities at the Lincoln School is significantly higher (\$2.20 per square foot) than all other "non-community" elementary schools (average \$0.60 per square foot). In part, this differential is



due to the fact that the boiler must run during summer months to heat the pool water. By installing a “stand alone” energy efficient water heater for use from April to September (estimated cost \$20,000), and installing a control system for lighting in the pool area, the district should save 15% on the utility bills.

**Recommendation:**

**Install energy efficient water heater and lighting controls for the swimming pool. For the purpose of estimating savings LGBR is discounting the first year savings estimate of \$41,700 by the cost of the proposed upgrade (\$20,000).**

**Cost Savings: \$22,000**

In addition to the community schools, the district maintains and operates a community ice rink within the high school complex. The 49,000 square foot facility opened in 1987 and includes an ice rink/lockers, gymnasium/lockers, dance studio, small karate gymnasium, indoor track, two community rooms, offices for the athletic and community program directors, skate rentals, a snack bar, and pro shop. The snack bar and pro shop are contracted to a private operator. The facilities support the high school athletic program (ice hockey and gym classes in the rink and girl’s basketball and gym classes in the gymnasium) and outside users from within and outside the Bayonne community. The rink operates from September to April, then shuts down for graduation ceremonies and summer maintenance. Fees are not assessed for Bayonne student athletes who participate in the high school ice hockey program. Ice time is available on a fee basis. Groups currently using the facility include four high school ice hockey teams (in addition to Bayonne High School); figure skating clubs; “pee-wee” and adult hockey leagues from Bayonne and other communities; and open community skating programs. The fee schedule is recommended by a committee which reviews revenue and whose goal is to “break even” on the operations of the rink. The board of education sets the fees based on the committees recommendation. Currently the charges are \$122/hr. for “Bayonne-based” programs (figure skating/hockey teams) and \$185/hr. for out-of-town programs (\$155/hr. for “off hours”). Open skating fees for Bayonne residents’ range from \$1.00 - \$3.00 per session (\$5.00 for guests) with a charge of \$2.00 for skate rentals.

During the September, 1997 to April, 1998 season, the district reports that \$306,000 in revenue was generated from group rentals, against \$300,000 in expenses, to maintain and operate the ice rink. However, LGBR finds that the actual cost to maintain and operate the ice rink is over \$438,000 per year. The following chart represents LGBR findings on actual costs, against the district’s annual financial statement:

<b>District vs. LGBR- Ice Rink Operating Costs</b>		
<b><i>Expense Item</i></b>	<b><i>District Reported Cost</i></b>	<b><i>LGBR Estimate</i></b>
Payroll (excluding Custodians)	\$81,653	\$85,253
Payroll-Custodians	78,758	64,447
Supplies-Custodial	26,888	24,187
Maintenance	0	90,358
Utilities - Electric	112,274	137,640
Gas (Heat)	0	23,930
Subtotal	299,573	425,815
Admin. Overhead (3%)	0	12,774
<b>TOTAL</b>	<b>\$300,000</b>	<b>\$438,589</b>

Please note: This does not include annual debt service payments on construction cost paid by the city, and calculated by LGBR at \$575,000 per year through May, 2000 (from documents on “Permanent Direct and Contingent Debt Issued and Outstanding as of August 31, 1998” prepared by the City of Bayonne).

The district developed a fee schedule to try to “match” the revenue produced from public sessions and group rentals against the operating expenses as reported above. The fees were structured so that revenue produced would not exceed the operating costs as reported. It should be mentioned that the district views the operation of the ice rink as a local public service and specifically provides programs to students at no cost and at established fees for Bayonne residents that would be lower than regional rates. It is common in other districts, for example, to charge students a fee for participation in varsity ice hockey programs to help defray facility, insurance and equipment costs. Such is not the case in Bayonne.

The following table represents annual revenue, by type of activity, as reported by the district, for the last full skating season (September, 1997 to April, 1998).

<b>BAYONNE ICE RINK - TOTAL REVENUE 1997-98</b>		
<b>Type/Number Rentals</b>	<b>Current Rate - \$/Hour</b>	<b>Rental Revenue</b>
Public - 192 sessions	\$167 (avg.)*	\$32,064
Out of Town - 517 hrs.	\$185	\$95,645
Off-Hours - 40 hrs	\$155	\$6,200
Bayonne - 1048 hrs.	\$122	\$127,856
Misc. Lesson		\$6,620
<b>Total</b>		<b>\$268,385**</b>

\*Average revenue for public open skating sessions at rates of \$1-3 per person

\*\*The district also collects revenue from skate rentals and the bidding of food concessions and the pro shop. Total reported revenue is **\$305,587**.

As reported, the fees generated do not match the costs to operate the facility as determined by LGBR. In order to “close the gap” between actual operating costs and generated revenue, and to maintain the district policy to provide programs to students without charge, it would be necessary to raise user fees for non-school sponsored activities to a level more consistent with the regional market for ice time in similar facilities.

LGRB contacted several facilities in the area for rates. The Mackay Ice Rink in Edgewood charges \$250 per hour for group rentals and \$6.50 per hour for open skating. The South Mountain Arena in West Orange charges \$247 for group sessions (1½ hour minimum) and \$5.00 per hour for open skating. The following table represents two alternate fee schedules for Bayonne and the revenue that could be generated utilizing the 1997-98 number of hours for each type of rental activity:

<b>BAYONNE ICE RINK - PROPOSED FEE SCHEDULE</b>				
<b>Hours</b>	<b>Rates</b>	<b>Revenue</b>	<b>Rates</b>	<b>Revenue</b>
192*	\$334	\$64,000	\$334	\$64,000
517	225	116,000	250	129,000
40	190	8,000	225	9,000
1048	160	168,000	200	210,000
Misc.		8000		10,000
<b>Total</b>		<b>\$364,000</b>		<b>\$422,000</b>

\*Number of public sessions @ \$2-6 per session, or double current charges of \$1-3 per session.

As indicated, by increasing the rental rates to a schedule that is consistent with the regional market, the district would be able to meet “actual” current operating expenses, continue to provide a “discount” for Bayonne based groups, and support all of its school sponsored activities at no cost to students. The above schedule is offered as one option only. The district still has flexibility in determining what the right “mix” of fees should be for Bayonne. However, LGBR recommends that a new schedule be established and, if necessary, phased in over a two-year period.

### **Recommendation:**

The district should effect an immediate process to capture and report all actual maintenance, utility, and operating costs for the ice rink. The district should develop a fee schedule more consistent with comparable regional facilities that provides a true “break-even” cash flow for the facility.

The new schedule could be phased in over a two-year period to monitor usage patterns consistent with the new rates, regulate usage and revenues, and make adjustments in the fee schedule as appropriate. As calculated by LGBR, the actual cost to operate and maintain the rink is \$438,589 per year. The district collected approximately \$305,587 in revenue (\$265,000 in user fees) for the year ending in April, 1998. As recommended, the facility could be self- sustaining in two years.

**Cost Savings: \$133,000**

**Savings Summary Without Outsourcing:** Purchase and implementation of a work order processing system (\$117,980). Implementation of an overtime management plan (\$81,000). Competitive bidding of natural gas (\$32,000). Elimination of a current expense subsidy for the PAL program (\$109,225). Energy upgrades to the district swimming facility (\$22,000). Revise fee schedules in order to match revenues to expenses at the ice rink (\$133,000).

**Cost Savings Without Outsourcing: \$495,205**

**Savings Summary With Outsourcing:** Outsource custodial and maintenance functions (\$902,278). Competitive bidding of natural gas (\$32,000). Elimination of a current expense subsidy savings for the PAL program (\$109,225). Energy upgrades to the district swimming facility (\$22,000). Revise fee schedules in order to match revenues to expenses at the ice rink (\$133,000).

**Cost Savings With Outsourcing: \$1,198,503**

### **Transportation**

According to the CAFR, in 1997-98, Bayonne expended approximately \$1.3 million in student transportation costs. The team notes that these costs are not complete, as they do not include the costs of a new bus, supervisory and secretarial salaries, and possible other related costs.

Bayonne provides home-to-school transportation for its special needs students only, as the neighborhood schools are less than two miles from the students' homes, and, therefore, the district is not required to provide transportation for other than the special needs students.

The district's own buses and drivers provide transportation for those special needs students attending schools within district. The district also transports several students to out-of-district schools in three areas of the state. For the other out-of-district placements, contracted vendors provide the transportation. Bids are sought for these routes each year.

The routing and all other transportation and vehicle information is maintained manually by the supervisor of transportation. This individual has been performing this job for many years and is undoubtedly very knowledgeable about the routes and transportation needs of the Bayonne district. There is, however, computerized software on the market that may prove beneficial to the Bayonne School District.

### **Recommendation:**

**The review team recommends that the transportation operation be computerized. Computerization will provide for more efficiency in developing the bus routes to maximize resources, possibly reducing the number of buses required by increasing ridership per bus.**

**Although computer and software prices can vary, the team estimates that the required equipment should cost the district approximately \$15,000.**

**Value Added Expense: \$15,000**

The district owns and maintains a fleet of 16 buses and vans for the transportation of the special needs students. It employs 16 full-time drivers for these vehicles. Their hours of work are 7:30 a.m. to 3:30 p.m. including half an hour for lunch. Another driver works from noon to 8:00 p.m., primarily to provide transportation for the athletics trips, and one other serves as a mechanic's helper and back-up driver. When the drivers are not driving, they are now assigned to perform custodial work at specified schools. At the time of the review team's arrival in the district, this was not the case. Between runs their responsibilities had been to maintain their buses, clean the garage on a rotating basis, run errands, and pick up parts for the mechanic as needed. They also completed special runs, e.g., for the third-grade-swimming program and field trips. The review team noted that the drivers are paid overtime for each day, as they reportedly cannot complete their normal runs within the 8-hour workday. Overtime is also paid for any weekend driving they perform. For the 1997-98 period, approximately \$68,000 was paid to the drivers in overtime.

**Recommendation:**

**The drivers' schedules need to be revised to eliminate the need for overtime each day. The team further suggests that the drivers not be full-time employees. It is not necessary to pay drivers on a full-time basis, when their regular runs should take no more than three or four hours per day. They should be paid on an hourly basis. When extra runs are required, the drivers should be compensated at their normal hourly rate for actual driving work performed. In 1997-98, the average salary plus benefits for a driver was \$29,500. By eliminating all overtime and benefits and by reducing the number of hours per day for the drivers to six, or 75% of their current eight-hour day, allowing for weekend and extraordinary work schedules for the 18 drivers, the district would save approximately \$249,000.**

**Cost Savings: \$249,000**

There is an hourly rate bus attendant assigned to each bus. Although the attendants are paid on the basis of \$6.50 per hour, they likewise work a full eight-hour day, from 7:30 a.m. to 4:00 p.m., with half an hour for lunch. They reportedly provide clerical or custodial assistance in assigned schools between bus runs. In 1997-98, a total of \$196,000 was paid to the bus attendants.

**Recommendation:**

**The team recommends that the bus attendants not work a full day. In this area as well as others in the district, the team noted a problem with the practice of individuals performing different duties and reporting to different supervisors at different locations throughout the day. Inherent in this arrangement is a lack of structure and accountability, and too much opportunity for non-productivity. Some of those interviewed in the district believe this to be an inconsistent and unpredictable source of staffing, which can at times be more trouble**

than it is worth. This is not an efficient way to organize a workforce. The team recommends that the district discontinue this practice and use bus attendants as bus attendants, thereby paying them only for the hours they ride the bus. Bus attendants are not required for other than the home-to-school transportation of the special needs students, so their work hours should be reduced to four per day, cutting this cost in half.

**Cost Savings: \$98,000**

Also with regard to overtime, the team noted that the supervisor of transportation received \$24,000, or almost 50% of his salary, in overtime payments in 1997-98. He waits for late buses to return to the garage, comes in on weekends when buses are in use, etc.

**Recommendation:**

The review team recommends that the district first look into the necessity for the supervisor to be in the garage awaiting the return of late buses on weekends and after regular hours, etc. The supervisor can be on call for emergencies during these times, but the drivers should be responsible for returning their buses to the garage without having a supervisor on site. The team also believes that the supervisor's position should be considered a management position, and as such, should not entail compensation for extra hours of work that may be required. The team suggests that the district consider increasing his annual salary to account for the additional responsibility of being on call for emergencies. Estimated cost savings are based upon the difference between the overtime amount and a 20% salary increase for the supervisor.

**Cost Savings: \$14,000**

In addition to providing for the majority of its transportation needs with in-house resources, Bayonne also contracts with vendors for certain out-of-district special education routes. The team compared the costs of these routes against in-house costs. Based upon 1998-99 costs, the average contracted annual per-route cost to transport students out-of-district is \$33,000. Bayonne contracts for approximately 16 different out-of-district routes for which it will pay approximately \$527,000. The team estimates that the average cost to operate a district bus is about \$63,000 per year, including salaries, cost of equipment, etc. The annual cost to operate the 16 buses is estimated at \$1,008,000. According to monthly reports furnished by the district, 90% of the drivers' time is spent transporting the special needs students. The costs to transport the students within district and to the specified three locations out-of-district with its own 16 buses and vans is therefore estimated at approximately \$907,000.

**Recommendation:**

If the district were to contract for all its routes, it could potentially save \$380,000 per year, even without accounting for the reduced mileage costs of in-district vs. out-of-district runs. However, the team believes it is in the district's interest to retain some of its own buses, to provide transportation for athletic and field trips, the swimming program, perhaps a run or two, and other special needs. The state's Commission of Investigation has recommended

**that districts maintain such a combination of transportation providers to enable them to retain some control over their transportation and associated costs. If the district decided to retain four of its buses, even at current costs, which should be significantly lower with hourly rather than full-time drivers, the district could still save \$285,000 by eliminating 12 of its 16 student transportation vehicles and related costs.**

**Cost Savings: \$285,000**

Prior to proceeding with any changes to the way in which it provides transportation, the district should first examine its policy with regard to transportation in general. It was reported to the team that transportation is offered to all students determined by the child study teams to be in need of special education services. The parents make the decision as to whether or not their child will receive the transportation service. The district may therefore be providing transportation to students whose disability may not necessitate it.

N.J.S.A. 18A:46-23 states that, “the board of education shall furnish transportation to any handicapped child, if it finds upon the advice of the examiner, the handicap to be such as to make transportation necessary or advisable”.

The team was informed that, with the exception of one or two severely handicapped students, the classified high school students do not accept the district’s offer for transportation. Students assigned to the districts’ resource rooms reportedly also decline the transportation. According to information provided to the team with regard to special education, in the fall of 1998 there were 567 children served within the district’s self-contained elementary school classes. Transportation was reportedly provided to 543 of these students.

#### **Recommendation:**

**While the team would not presume to make determinations as to whether or not transportation is warranted in all 543 cases, a qualified person within the Bayonne School District should be making these decisions as part of the IEP process. The vast majority of Bayonne’s special needs students are classified as learning disabled. This does not necessarily mean that they cannot walk to and from school. In the absence of the specifically determined need for transportation, the district is in essence providing courtesy busing, i.e., transporting students who live less than two miles from their school of attendance. If only 10% of these students do not have handicaps requiring transportation, costs of one bus, a driver, an aide and other associated items can be eliminated. In its subsequent child study team evaluations and reevaluations, the district should begin to evaluate the students’ need for transportation based upon their handicaps. Estimated cost savings are conservatively based upon the lower contracted, rather than in-house, costs.**

**Cost Savings: \$33,000**

### **Vehicle Maintenance**

The Bayonne School District owns and operates 47 vehicles. One mechanic, with the part-time assistance of another individual who also serves as a back-up bus driver, provides maintenance and repair services for these vehicles and several other pieces of equipment.

The district has operated its vehicle maintenance operation within a rented garage facility for the past eight years. The school buses are stored in fenced-in areas at this facility. The team estimates annual facility costs at \$75,000.

The City of Bayonne maintains a municipal garage for its 250 vehicles and 115 pieces of equipment at another site in the city. It employs eight mechanics to repair and maintain this equipment.

### **Recommendation:**

**The team recommends that the vehicle maintenance operation of the school district be merged into the city's garage facility. Under the transportation section of this report is a recommendation to consider reducing the number of school buses in the district's possession. The district's mechanic should be transferred to the municipal site regardless of the district's decision in that regard. The team is aware of the school district's discussions to relocate the vehicle maintenance function and believes that the recommended merger is a most efficient option. The LGBR team that performed the municipal review reports that the municipal garage can accommodate the mechanic and the additional equipment. The team suggests that the buses currently stored at the district's leased facility be stored at the impound lot across from the municipal garage.**

**It is a secured area and has space to accommodate this equipment. LGBR is also aware of discussions to relocate the impound lot and recommends that bus storage remain with the impound function, wherever it is located. Cost savings are based on elimination of the current leased facility costs.**

**Cost Savings: \$75,000**

## **FOOD SERVICE**

An extensive review of the district's food service program was conducted. The review included interviews with the food service director and other personnel, visits to school kitchens and cafeterias to observe operations, and the analysis of various documents. A careful analysis was done of the financial records as reported in the Comprehensive Annual Financial Report (CAFR) for the years ending June 30, 1997 and 1998.

According to budget guidelines, if a district receives state and/or federal reimbursement for food service costs or collects fees from students for the cost of meals, the entire food service operation activity must be recorded in a separate enterprise fund and not within the general fund of the budget. Any contribution made by the board toward the food service operation is reported as a



lump sum contribution transferred to cover any deficits. These costs should not be included elsewhere in the budget. Bayonne City Board of Education appropriately records the operation. Enterprise funds are used to account for operations that are financed and conducted in a manner similar to private business enterprises with the intent that the costs of providing goods or services be financed through user charges. The following table illustrates the actual profit and loss for the food service program for the past two years:

<b>PROFIT AND LOSS FOR FOOD SERVICE PROGRAM</b>		
	<b>1997-98</b>	<b>1996-97</b>
Operating Revenue:		
School lunch program	526,037	554,368
School breakfast program	3,718	3,585
Total operating revenue	529,755	557,953
Non-operating revenues:		
State school lunch program	44,451	44,927
School breakfast program	13,941	13,073
National school lunch program	747,137	727,903
Special milk program	7,378	5,736
U.S.D.A. commodities	45,190	53,557
Total non-operating revenues	858,097	845,196
Total Income	1,387,852	1,403,149
Expenses:		
Salaries	714,037	695,597
Employee benefits	62,600	74,136
Supplies and materials	130,155	125,897
Cost of sales	748,253	649,728
Insurance	21,201	34,170
Management fee	7,300	39,000
Depreciation expense	4,173	4,173
Total expenses	1,687,719	1,622,701
Net income before board subsidy	(299,867)	(219,552)
Board subsidy	304,075	276,916
Net income after board subsidy	4,208	57,364

The Bayonne Board of Education has contributed \$276,916 in the 1996-1997 school year and \$304,075 in 1997-1998 to offset deficits in the enterprise funds for those two years. These subsidies are approximately the cost of the teachers and aides who were paid to supervise students during lunch. The teachers were paid \$14 per lunch period and the aides received \$5.50 per hour. These costs for supervising students were incorrectly charged to the enterprise fund resulting in a deficit. If these expenses were correctly charged to the general fund the district food service program would show a profit for both years.

Food service has been privatized in the Bayonne City public schools for more than 14 years. Community Food Management Service, Inc. provides management services for the food service operation. The food service contract with Community Food Management Service Inc. is renewable annually and has been renewed for more than 14 years. There was no indication that the district has ever prepared Requests for Proposals to seek competitive alternate food services

from other qualified food management companies. Cafeteria staffs are employed by the management company. In 1996-97 and 1997-98, the management fee charged by Community Food Management Service was \$.054 per meal or a maximum of \$39,000 per year. In addition, the vendor charged Bayonne City Board of Education for all other costs incurred such as salaries, benefits, supplies and materials, and cost of sales. The vendor guarantees that the total cost, such as foodstuffs, supplies, salaries, etc., shall not exceed the total income. However, the contract did not identify who will absorb the loss should one occur. A rental contract for the food concession, located at Bayonne High School's physical education/community education center, was also awarded to the management company. It brought in rental income for the district of \$6,000 in school year 1997-98.

The district has one production kitchen located in the high school. There are no satellite kitchens. A private Ohio-based company was awarded the contract to prepare pre-plate lunches for the district. Daily, the pre-plate lunches come frozen to the production kitchen and are heated before being shipped and served in the elementary schools. The high school lunches, breakfasts, and food for meetings or for special functions are prepared in the production kitchen. Bayonne currently charges \$1.60 for the student lunch in the elementary schools, and \$1.70 in the high school. Teachers and staff members can purchase lunch for \$1.95 in the elementary schools and \$2.95 in the high school. Breakfasts are only offered in the high school. The district is charging \$1.00 for the paid breakfast. Special milk program is offered in the elementary schools.

More than 91 teachers district-wide work 40 minutes during lunch, and 35 part-time lunch aides work 1½ hours. Their main responsibility is to supervise students during lunch. High school teachers also take attendance. The elementary school students have a 20-minute lunch period and a 20-minute play period out on the playground if weather permits. Students are allowed to walk home from the elementary schools for lunch. More than 80% of the students in the elementary schools stay in school for lunch. High school students are not allowed to have lunch outside the school cafeteria.

A special function account was reviewed by the team for school year 1997-98. It revealed that \$29,668 was related to dinners, lunches, breakfasts, and refreshments for special events and meetings.

The team conducted a cost effective analysis for the district. The following table illustrates the district's expenses, income, and comparison with the market:

<b>COST AS A PERCENTAGE OF INCOME</b>				
	<b>Bayonne BOE</b>	<b>District Rate</b>	<b>Market Rate</b>	<b>Over (Under) the Market</b>
Payroll	776,637	46%	40%-45%	6%-1%
Food Cost	748,253	44%	39%-45%	5%-1%
Supplies & Materials	130,155	8%	4%-5%	4%-3%
Miscellaneous	32,674	2%	1/2%-2%	1.50%
<b>Total Income</b>	<b>1,691,927</b>			

An analysis of the above table reflects that the labor cost for Bayonne's food service was 1% to 6% higher than the market. The food cost was 1% to 5%, and the supplies and materials 3% to 4% higher than the market.

During the 1997-98 school year, a total of 540,854 meals were served, including 524,445 lunches and 16,409 breakfasts. The table below shows the total meals served and the cost per meal for school year 1996-97 and 1997-98.

	<b>1997-98</b>	<b>1996-97</b>
<b>National School Lunch</b>		
Paid	133,222	145,499
Reduced	66,845	60,944
Free	324,378	328,582
Total Lunches	524,445	535,025
 School Breakfast		
Paid	3,290	3,348
Reduced	1,421	791
Free	11,698	11,719
Total Breakfasts	16,409	15,858
 Total Meals	540,854	550,883
Food cost per meal (lunch & breakfast)	1.68	1.55
Salary and benefits per meal	1.44	1.40
Total costs per meal	3.12	2.95
Percentage of food costs per meal	54%	53%
Percentage of salary & benefits costs	46%	47%

#### **Recommendations:**

**According to the Education Department Budget Guidelines, all salaries paid to teachers to supervise the students during lunchtime should be reported as teachers' salaries, and to lunch aides to supervise students, to function 260 (Operation and Maintenance of Plant Service). If the worker works in the cafeteria serving or preparing lunch, the salary should be recorded in the enterprise fund.**

**The district should consider re-bidding this service rather than operating on an automatic annual renewal for the food service contract. The district should require in the contract that the program operate at a profit and that the vendor absorb the loss if there is a deficit.**

**Reduce the number of elementary teachers on lunch duty by 49, and hire 22 lunch aides to work in the lunchroom.**

**Cost Savings: \$150,300**

**Increase lunch and breakfast prices to the state levels. The current state lunch prices are \$2.25 for high school and \$1.85 for elementary school students. Breakfasts are \$1.25 for high school and \$0.90 for elementary school. Such price increases could bring in additional revenue of \$53,288.**

**Cost Savings: \$53,288**

## **SECURITY**

The district is extremely cognizant of security measures. The following security is enforced:

Each elementary school has a security camera mounted at the main entrance of the building. All visitors must be recognized and “buzzed in” to gain entrance to the school. All other school doors are to be locked so that the only legal entrance is through the main entrance.

Security at the high school complex, which includes the board of education offices, is much more sophisticated. There is a “buzzer system” at the main entrance to the high school and the board offices. In the morning, all students use an access card to enter the building through the two entrances. The four security people monitor the two doors to screen for green light or red light signals. The identification system allows students, staff, and other authorized personnel to enter the complex. All doors to the campus are locked throughout the day except during period changes when the six interior doors are open for the change of classes.

The four security people also monitor entrances, outside the building, and hallways and screen for visitors. The aforementioned security team consists of four substitute teachers who work 10 months a year for a monthly stipend of \$1,800 and receive no benefits.

The high school building is also in use between the hours of 4:00 p.m. and 10:00 p.m. weekdays and sometimes during the weekend. A secretary/clerk or a custodian covers the main entrance at these times. The coverage for this service is costly due to overtime pay.

### **Recommendation:**

**LGBR recommends that the administrators in charge of evening and weekend coverage develop a plan to use substitutes to cover or develop a more flexible schedule for the staff rather than pay overtime.**

## **Board of Education**

The board of education is composed of nine members who are appointed by the mayor as per the organization of a Type I district. In addition to the board of education there is a five-member board of school estimate, which is composed of the mayor, two appointees, and two trustees from the board of education. It is responsible for approving the school budget provided by the board of education. The budget does not require a public vote for approval. For the 1998-1999 school

year, the board of school estimate reduced the district's request for funding by \$7,300,000. However, on June 26, 1998, it restored \$998,000. The reduction was appealed to the Commissioner of Education for the restoration of \$5,800,000. In August, 1998, the Commissioner of Education restored \$1,500,00 of the amount requested. As a result of the \$4.8 million shortfall, the district was forced to reduce the current expense budget by that amount. The district reduced administrative, secretarial, teaching, and custodial staffs, and also reorganized staffing assignments. Reductions were also made in materials, supplies, and programs. The recommendations contained in this report are over and above the \$4.8 million in reductions.

The board of school estimate will be meeting during the year on a monthly basis and will approve a school budget for the 1999-2000 school year. The monthly meeting concept is a new approach in the budget development process.

The LGBR team interviewed all the members of the board of education and attended board of education meetings and agenda work sessions. The board of education works as a committee of the whole rather than having standing committees. The superintendent, business administrator/acting board secretary, and the trustees work well together.

The board of education holds one scheduled open workshop and agenda session a month. The public may attend but may not participate. Regularly scheduled board of education action meetings are held at least once per month at which time the board considers and acts on matters on the agenda. The public is allowed to participate during the regular meeting. An agenda is provided, and specific documentation regarding the agenda is posted on a bulletin board in the meeting room. Since most of the agenda items have been reviewed or discussed at the workshop session, several items are combined under one motion for approval. Rarely at the regular meeting is there any discussion regarding the items.

### **Board Member Expenses**

According to the district's accounting record, board member expenses for Bayonne School District were commingled and incorrectly charged to the supplies and materials account. Therefore, the actual board member expenses cannot be determined. An account analysis for the supplies and materials was conducted. It revealed that approximately \$85,586 was related to board member, superintendent, assistant superintendent, board attorney, and board secretary expenses. Most of the expenses were for membership dues to NJSBA, travel, gifts, subscriptions, food, gas, and furniture.

Credit cards were issued to the board members, superintendent, assistant superintendents, board secretary/business administrator, and board attorney. A detailed analysis for credit card usage was conducted. It revealed that the board members expended more than \$47,375 in credit card charges. The credit cards were used to pay for hotels (\$17,463), airline tickets (\$14,682) food (\$9,930), tours and show tickets (\$454), books (\$467), gas (\$239), credit card membership fees (\$585), furniture (\$872) and miscellaneous items (\$2,683).

There is no board policy for credit card usage. Therefore, credit cards could be used to purchase any item or service without prior approval. Because the purchases did not go through the district's voucher system, the district has no system for determining what the purchases were for or whether the purchases were appropriate or necessary. For example, there were four restaurant charges of over \$1,000 each. The district could not identify the total number of people in attendance. A five-day conference in New Orleans cost the district more than \$5,600 for food. Credit cards were also used to shop at Fortunoff, Home Depot, Bed and Bath, TM Tickets, and Gallery and Museum gift shops.

For school year 1997-98, the district received a reimbursement of \$808. This reimbursement was related to the expenses that were incurred by the board member's spouse during a board conference.

The following examples illustrate that some credit card charges may not have been appropriate:

- Tour and show tickets (\$454) were purchased by one of the credit card users when he was attending a California conference. Fine art/frames (\$399), a John Denver CD (\$29), office supplies (\$346), an exercise video (\$43) and furniture (\$873) were purchased through district credit cards. These funds may not have been appropriately spent. If the board of education deems them appropriate, the board of education should nevertheless require purchase through the district's voucher system to avoid potential misuse of funds.
- Each time the district ordered airline tickets, travel insurance was purchased. However, when tickets subsequently were canceled, the travel insurance was not canceled.

In October of 1998, the Department of Education issued a directive prohibiting district officials and board members from using credit cards for the purchase of goods or services. The district issued a memorandum in compliance with this directive.

### **Recommendations:**

**The issuance of credit cards is not a good practice. The cards become too convenient to use, causing potential for misuse and abuse. Credit cards should not be issued. All legitimate board member expenses for travel, lodging, food, etc. commonly placed on credit cards should be processed through a pre-approved voucher system and/or on a reimbursement basis when valid receipts are submitted.**

**The board of education policy should include language appropriate to payment of legitimate expenses incurred by board members and district staff. Further, board policy should set limits for travel, lodging and meal expenses. Other school districts of similar size have established expenditure allowances. Expenditure allowances can vary according to position, e.g., \$4,800 for superintendent, \$2,000 for board members and administrative staff.**

**According to the Department of Education budget guidelines, all board member expenses should be recorded as part of the miscellaneous expense in the general administration function. The district may consider creating a new extended miscellaneous account to record board member expenses. The team realizes that this new extended account is not required by the Department of Education, but it could provide a clear picture of the board members' spending for future control.**

### **Hiring Practices**

The Bayonne School District has policies regarding the creation of positions and the employment of staff members. The superintendent is responsible for recruiting, screening, and recommending to the board suitable candidates for employment. If a position is available, the district employees are notified, and, if necessary, the vacancy is advertised in the appropriate publications. The superintendent does the majority of the screening and interviewing of candidates, but does involve some principals and directors if the situation warrants. The superintendent stated that many of the vacancies are filled by candidates on the substitute lists. In addition, he noted that more than 60% of the candidates hired are from Bayonne or attended school in Bayonne. The board policy does contain the following statement: "Persons related by blood or marriage to a board member may be employed as a teaching staff member only upon majority vote of the entire board. The affected member shall refrain from entering into a discussion of the applicant or voting thereon."

### **Recommendation:**

**LGBR recommends a nepotism policy that goes beyond the policy presently in place. That policy would exclude family members of current board members and administrators from consideration for employment during the period that the board member or administrator is associated with the district. All family members presently employed would be "grand-fathered."**

### **III. Collective Bargaining Issues**

An area that frequently presents significant opportunities for savings is negotiated contracts. While they represent opportunities for savings, the savings and contract improvements are most likely to occur incrementally through a well conceived process of redeveloping compensation packages to be equitable and comprehensive. For this reason we present those issues subject to collective bargaining agreements separately in this section.

#### **Central Office Administration**

The district has four certificated central office positions identified in the organizational chart. The positions are superintendent, assistant superintendent for curriculum, assistant superintendent for administration/federal programs, and business administrator/acting board secretary. The support staff assigned to the central office will be reviewed later in this section under support staff.

The salary and benefits provided to the four top administrators are arrived at in the following manner: The two assistant superintendents are compensated as per board of education resolution, and the specific benefits are the same as or similar to those set in the agreement with the administrators' association. The superintendent of schools and the business administrator have entered into specific employment contracts.

The superintendent's contract covers the term commencing on July 1, 1998, and ending June 30, 2003. This contract replaces a prior contract covering the term commencing on July 1, 1994, and ending on June 30, 1999. The following payment was made to the superintendent for unused vacation days and sick days during the 1997-1998 school year: 12 sick days and 23 vacation days at the per diem rate of \$501.30, plus 12 sick days at \$35 per day for a total of \$17,965.50. Although the contract (July 1, 1994, through June 30, 1999) does allow for payment for unused vacation days at the per diem rate, it is not clear whether the contract allows for unused sick leave to be paid at the per diem rate plus \$35. The current contract (July 1, 1998, through June 30, 2003) allows for similar payments. It also increases the vacation days granted to 25 per year and sick days granted to 15 days per year, as well as increases the per diem value by the salary increase plus 8¼%. The increase in the number of leave days and the change in the per diem rate from 1/240 of the base to 1/220 of the base increase the district's liability annually.

The purpose of vacation time is to provide time away from work for rest and relaxation. Vacation time is not being used in the manner it was intended but as a means to increase compensation. A review of records for previous years indicates no vacation days were used but were compensated at the per diem rate. By reasonable standards vacation time is to be used in the year that it is earned or, if not, lost, unless there were extenuating circumstances. The increase in vacation days and sick days could cost the district an additional five days of compensation at the per diem rate. The compensation for unused sick leave payment should be



reviewed to prevent the double payment for the unused sick time yearly (i.e., the per diem rate plus an additional \$35 per day).

The business administrator's contract covers the term commencing July 1, 1996, and ending June 30, 2001. The agreement states that remuneration is payable yearly at the per diem rate for all unused vacation time and allows for payment of all unused sick leave in a given year at the per diem rate and the eligibility to receive an additional \$35 per day for sick leave if four or fewer days are used. The amount paid to the BA for unused vacation and sick leave for the 1997-1998 school year was \$10,297.33. Vacation time should be used for rest and relaxation and not as a means for additional compensation on a yearly basis.

### **Recommendations:**

**It is recommended that, in future negotiations, the board of education require administrators to work during the traditional breaks at Christmas and spring break or use their vacation time during these periods. It is also recommended that a limit be placed on accumulating vacation days.**

**Cost Savings: \$22,829**

**It is also recommended that, in future negotiations, the board of education not increase vacation and sick leave time. The recent increases of two vacation days and three sick days have caused an increase in the superintendent's contract of five additional days or \$2,610.**

**It is recommended by LGBR that the superintendent and the board of education reorganize the administrative team's duties and responsibilities to meet the changing needs of the district and provide adequate staffing thus eliminating the yearly remuneration for unused vacation days.**

**It is also recommended that, in future contracts, the board of education be more specific in the following areas: fringe benefits, use of district-owned vehicles, and a true base salary that does not contain a variety of added financial incentives (e.g., longevity, degrees, career experience, etc.). This will enable the board and the public to ascertain the true salaries of the administrators more easily.**

### **Health Insurance**

As mentioned earlier, the district has resisted making positive changes to contain the rising costs of the district's health benefits. This is partially due to the fact that the union has resisted any changes to the health benefits plan. The district attempted to enhance its plan choices by offering an optional program which was a point-of-service program that permitted out of network medical alternatives for employees who liked managed care options. The union contested, claiming that a benefit addition needed to be negotiated. This plan has a lower effective out-of-pocket expense for most of the employees in the district.

The district can hold down the costs of health care by offering additional options of managed care and negotiating a co-pay arrangement with its staff. The insurer and the broker have suggested to the review team that the district should consider other managed care solutions. In order to entice the membership to consider the plan, the insurer should be permitted to conduct in-service information seminars on location to review the benefits of these programs. The broker suggested two programs that could lessen the financial burden to the school district, and in many cases, lower the potential financial impact upon the employee while still maintaining a high quality of care. Either of these programs would lower the cost of health care by approximately 8% or \$445,000. If 25% of the employees were to switch to managed care, the district could save \$111,250.

**Recommendation:**

**The district should introduce another managed care option. If 25% of the employees were to switch to a preferred provider option or point of service option the district could save \$111,250.**

**Cost Savings: \$111,250**

As an additional incentive to encourage employees to switch plans, the district could institute a premium co-pay arrangement with its employees. The district has 521 employees who receive either family or husband-wife benefits, and 30 employees who receive parent-child benefits. If the district were to charge 20% of the difference between single and the higher level dependent coverage for all employees, the district could contain the cost of health care. If all employees kept their program and opted instead for the other than single coverage co-pay, the district would save \$569,000 in premiums.

**Recommendation:**

**The district should negotiate a cost sharing arrangement with its employees. If the district were successful in negotiating a 20% co-pay with the unions for other than single coverage, the district would save \$569,000.**

**Cost Savings: \$569,000**

Education of the workforce about an enhanced alternative plan would also be a successful tactic in lowering the cost of health care in the district. The district's insurer has a long track record and that, coupled with the broker's identity within the community and long-standing relationship with the board, could work toward helping the district's employees become better educated regarding their health care alternatives. The district should also consider the savings that could be realized by moving to the State Health Benefits Plan (SHBP).

The district's premiums appear to be higher than the state's health benefits plan. When the district was questioned about how its rates compared to the state's health benefits plan, it was understood that the state's rates were much less. However, the district believed that the flexibility offered staying outside the state plan was essential. The district has not taken advantage of this flexibility except to give retirees who do not meet the state's statutory criteria

for health benefits the opportunity to obtain health benefits at considerable cost to the citizens. There are retirees who have as little as four years and five months' pensionable service receiving retirement health benefits.

For comparative purposes the review team split the district's family group into husband/wife and family using statewide health benefit statistics whereby 40% of family members are estimated to be husband/wife. Husband/wife premium rates are also estimated to be 85% of the family rate. If all employees were to switch from their traditional plan with their present insurer to the indemnity plan with the state, the district would save an estimated \$996,115 to \$1,286,665.

The Bayonne board pays a \$246,000 commission for a health plan that is more costly than the state's. Health benefits are provided at minimal cost to anyone who retires regardless of years of service. The two brokers seem to benefit from a higher than customary commission for a renewal premium. If the board were to switch to state health benefits, coverage would have to be dropped for those retirees who fail to meet the state's minimum service requirements for health benefits and commission costs would be saved. Continuation of this benefit requires the citizens of Bayonne to continue to pay for retiree coverage for individuals who have served the board for as little as four years.

#### **Recommendation:**

**Eliminate the excess provisions that make the plan non-compliant with SHBP. The major provision is a very generous district co-payment for retirees which appears to be in conflict with N.J.S.A. 18A: 16-19, whereby retired employees (with less than 25 years' service) shall be required to pay for the entire cost of coverage for themselves and their dependents. Employees with over 25 years of service have their health benefits completely paid for by the state. If the district were to remedy this and eliminate contributions to retirees, the district would save \$171,145.**

**Cost Savings: \$171,145**

**The district should consider SHBP during renewal. If the district were to switch, it would save at least \$996,115.**

**Cost Savings: \$996,115**

#### **Prescription Plan**

The district also has a low co-pay level of \$2 for generic and \$6 for brand name medications. If the district were to negotiate an increase in co-pays to a \$5 generic and \$10 brand name level which is more in line with accepted industry standards, the district would save an additional \$42,000.

#### **Recommendation:**

**The district should negotiate an increase in co-pays to \$5 for generic and \$10 for brand name prescriptions.**

**Cost Savings: \$42,000**



## **Labor Contracts**

At the time of this review, all of the district's collective bargaining agreements had expired. The team reviewed the expired agreements of the following groups:

- Bayonne Teachers' Association for all 10 month secretarial and clerical employees (September 1, 1994 – August 31, 1997)
- Bayonne Teachers' Association for all teachers, guidance counselors, psychologists, librarians, nurses, social workers, part-time teachers under contract, and coordinators at teacher's salary not evaluating teachers (September 1, 1994- August 31, 1997)
- Local 2251 Council 52 American Federation of State, County and Municipal Employees, AFL-CIO for all custodial and maintenance staff (July 1, 1995 – June 30, 1998)
- Public School Administrators' Association for the following supervisory titles: principals, vice-principals, directors, assistants to directors, and supervisors (July 1, 1994 – June 30, 1997)

Our analysis focused primarily upon those provisions impacting work schedules or compensation issues. There are some issues in the contracts and board of education resolutions, which do not seem to be in the district's best interest and may not be in line when compared to State procedures or generally accepted norms. Some references and recommendations are covered in this section, while other recommendations regarding contracts, agreements, and board of education resolutions are referred to elsewhere in this document.

In the matter of work schedules, the team makes particular note of the 12 month employee designation as utilized within the Bayonne School District. Employees whom the district designates as 12 month are reportedly paid for only 11 months, but over a 12 month period. While the team was initially informed that this group of employees was granted 21 or 22 vacation days per year, depending on which summer month had the greater number of work days each year, in further discussions it was explained that these 22 vacation days are unpaid leave days. In apparent conflict with this explanation, however, is Article 8:1.2 of the administrators' contract which defines a day's salary for a 10 month employee as  $1/200^{\text{th}}$  of the annual salary, and for a 12 month employee as  $1/240^{\text{th}}$  of the annual salary.

### **Recommendation:**

**In order to ensure that there is no misunderstanding on the subject, the team recommends that the district put in writing the arrangement by which its so-called 12 month employees are paid, including the provision for the 21 or 22 "vacation" days.**

### **Administrators/Supervisors**

The last agreement for this group of employees was effective July 1, 1994, through June 30, 1997. Non-represented certified personnel use this agreement as a guide for all conditions of employment, with the exception of salary schedule, time schedule, and work calendar.

According to the agreement, all 10 month administrators work from September 1 through June 30 each school year. Not reflected is the fact that when school is closed to the students for holidays, winter and spring breaks, and teachers' conventions, all the district offices are also closed. The work schedule for the 12 month employees is not mentioned.

### **Recommendation:**

**The review team recommends that the district's central offices remain open during school breaks and teachers' conventions. The 12 month employees should be required to report during these periods, or use personal or vacation days if they wish time off. Since the vacation days are reportedly without pay, there would be no cost savings per se, but this recommendation should certainly result in increased productivity.**

This agreement includes provision for various types of leave. Two personal days are granted per year. These days are not cumulative from year to year, but, if unused, are credited toward the employee's accumulated sick leave balance.

Ten days sick leave is granted to 10 month employees, and 12 to those who work 12 months. The number of days allowed to be carried forward to the employee's accumulated sick leave balance increased from five for the period up through 1954, to ten up through 1981, and thereafter to the full annual allotment of 10 or 12.

Those employees who utilize no more than four sick days in a given year are paid at the rate of \$35 per day for those sick days granted but unused in a given year. These unused sick days are also credited to the employees' accumulated sick leave balance.

### **Recommendation:**

**LGBR recommends that this payment to the administrators be discontinued. As described below, employees' unused sick days are accumulated for payment upon retirement. These days should not be a source of additional compensation for the administrators. While the amount of savings will vary from year to year based upon the number of eligible employees and their respective unused sick days, in the 1997-98 school year, a total of \$9,975 of a potential maximum of \$17,080 was paid by the board to the eligible administrative staff.**

**Cost Savings: \$9,975**

Upon retirement, administrative personnel age 55 or above with 20 years' service are eligible to receive payment for accumulated sick leave days at the rate of \$78 per day for the 1996-97 school year, with a maximum payment of \$12,995. LGBR commends the district for setting a maximum for this payment.

Additional paid sick leave after accumulated leave is used may be granted to tenured employees at the discretion of the board. If granted, the first month is at one-half of the employee's pay. If further sick leave is requested and approved, it is paid at three-quarters of the employee's pay, for a period not to exceed one year. This same provision is included in the teachers' contract.

The agreement also contains provision for maternity leave upon expiration of entitled sick leave. The language concerning maternity leave as stated in this and several of the other employee agreements is a bit unclear: "A maternity leave of absence shall be for a period of up to two years, with an option of an extension of one year without pay." It is not clear as stated that the first two years are also without pay, as was reported to the review team.

### **Recommendation:**

**In order to avoid any misunderstandings, the team recommends that the contract language in future agreements clearly state that the entire two-or three-year period for maternity leave upon expiration of entitled sick leave is without pay. The team also recommends that the district review its provisions for extending maternity leave to three years. The district may want to consider eliminating the optional one year's extension. In addition, the contract language now permits an employee to begin another three-year maternity leave if she becomes pregnant during the initial leave period. It is possible for an employee to be out on maternity leave for six consecutive years. This appears excessive, and the district should consider limiting the amount of time it will hold a position open. The district should consider incorporating language in the agreement that addresses paternity leaves or change the term to family leave.**

Additional time off is granted to employees for reasons such as death in family, marriage, military service, sabbatical leaves, etc.

Administrators are eligible for reimbursement of tuition costs for graduate level courses intended to enhance administrative job performance, at the rate of \$150 per three credits, not to exceed \$300 or six credits per year. The total expenditure by the board in any contract year is not to exceed \$2,100 for this entire program. Should requests exceed the \$2,100, reimbursements shall be made on a first-requested, first-paid basis.

Each individual title covered by this agreement had its own associated base salary for each of the three years covered. Any administrator whose salary exceeds those set forth in the schedule receives the same across-the-board dollar increase set forth in the schedule for his or her title. Based upon the 10 and 12 month designation, each position received the same dollar increase for the contracted school year. These increases were \$2,500 and \$2,750 for the 1994-1995 school year and \$2,750 and \$3,025 for the 1995-1996 school year.

There are additions to the base salaries as follows:

Longevity –

After 18 years - \$1,500

After 22 years - \$3,000

After 26 years - \$4,000

After 30 years - \$5,100

In 1997-98, \$125,900 was paid to employees covered by this agreement for longevity, plus an additional \$19,300 to the non-represented administrators.

**Recommendation:**

**It is the position of LGBR that longevity payments as such should be discontinued. Rather, the district should reflect these amounts clearly within the salary guide. Otherwise, the public could be misled as to true salary costs as they compare with those of other districts.**

The following amounts are paid for higher academic attainment. These payments are cumulative, e.g., an employee who has earned a doctorate degree receives an additional \$5,560 under this provision.

MA or equivalent	\$960
MA + 30 credits	\$1,600
MA + 60 credits	\$1,400
Ph.D.	\$1,600

**Recommendation:**

**The administrative/supervisory positions require a Master's degree. As such, there should be no additional compensation for attainment of a Master's degree. Elimination of this payment in 1997-98 would have saved the district a total of \$44,160.**

**Cost Savings: \$44,160**

Effective July 1, 1994, administrators were eligible for an additional \$200 for every five years of service *as an Administrator in the Bayonne School District*. This amount was increased by \$200 per step effective July 1, 1995, and by another \$200 per step effective July 1, 1996, i.e., to \$600. In 1997-98, \$66,000 was paid to the administrators under this provision.



**Recommendation:**

**This is another way of granting additional compensation to the administrators that should either be brought forward into the salary schedules or else eliminated. In effect these employees are now receiving multiple longevity payments, which in some cases total upwards of \$7,500 per year. As such, LBGR recommends the elimination of this payment.**

**Cost Savings: \$66,000**

**Teachers**

The last agreement for this group of employees was in effect September 1, 1994, through August 31, 1997. This agreement covers, but is not limited to covering, all teachers, guidance counselors, psychologists, librarians, nurses, and social workers.

By contract, Bayonne High School teachers generally teach a maximum of five 40-minute periods per day, with one additional period for duty, one for lunch, and one for professional preparation. However, the contract also reserves to the district the right to assign no more than 10% of the high school teaching staff to a six-period teaching day. During the 1998-99 school year, the district assigned 15 of its 158 teachers, or 10% of its teaching staff, to teach six class periods per day. An exception to these assignment percentages are the vocational teachers who, reviewers were told, have historically taught six classes and continue, by contract, to teach six class assignments. Reviewers were also informed that prior teacher contracts provided for at least one additional department to assign six periods per day.

**Recommendation:**

**LBGR recommends that, through the collective bargaining process, the district explore the possibility of assigning additional high school teachers to six-period teaching assignments in lieu of the current five class periods with one duty period. Not only has this situation apparently existed previously in the Bayonne School District, but it is currently the norm in several other public school districts in this region. Even if initially expanded to only an additional 5% of the school's current teaching staff, over the period of a three-year contract, the district could realize approximately \$800,000 in savings.**

**Cost Savings: \$266,666**

Both this and the 10 month secretarial/clerical agreements state that "in the case of personal illness, it shall be the duty of the chief medical inspector or a member of his staff to visit the employee to determine the nature and severity of the illness". It was reported to the team that this does not in fact occur.

**Recommendation:**

**The language of this provision should be revised accordingly.**

Ten sick leave days are allowed per year. Unused days are accumulated. Retiring employees covered by this agreement having reached the age of 55 with 20 years' service are eligible to redeem these days at the rate of \$50 per day in the 1996-97 period, up to a maximum payment of \$7,500.

The salary guide contains 13 steps, which are heavily weighted at the top. For the first few years a teacher's salary increases very little, by only \$100 to \$200 per year. Between the 12<sup>th</sup> and 13<sup>th</sup> steps in 1996-97 the annual increase was \$17,900. Not until the 7<sup>th</sup> step do teachers start to see salary increases of at least \$1,000 per year.

### **Recommendation:**

**In future negotiations, it is recommended that the district attempt to distribute salary increases more equitably across steps. The current practice of loading the money at the top of the guide can be demoralizing to the newer teachers. While the team recognizes that seniority and experience may warrant additional compensation, the job is basically the same regardless of longevity, and such wide disparity in salaries is unwarranted.**

There are additions to the salaries as follows:

Longevity –

After 18 years - \$1,500  
After 22 years - \$3,000  
After 26 years - \$4,000  
After 30 years - \$5,100

In the 1997-98 school year, approximately \$937,000 was paid under this provision to employees covered by this agreement.

### **Recommendation:**

**As recommended under the administrators' section above, longevity payments should be built into the salary schedules to clearly reflect true salary costs.**

Advanced academic attainment credits, which are cumulative –

BA + 30 credits	\$1,000
MA + 30 credits	\$2,000
Ph.D.	\$3,000

Guidance counselors are paid at 1/200<sup>th</sup> of their annual salary for any guidance work performed beyond the 180 school days. Effective September 1, 1996, home instruction teachers were paid \$18 per hour. Special education teachers assigned as of September 1, 1987, remaining in this

assignment receive an extra \$300 per year. This extra payment is appropriately being phased out, with only approximately 20% of the special education teachers still eligible for this additional compensation at the time of this review.

The contract includes an annual super-maximum, or additional step, payment of \$500 to those “who received it for the 1990-91 school year.” Only those unit members hired on or before December 12, 1991 are eligible to receive it.

### **Custodial and Maintenance Employees**

Covered by this agreement, which was effective from July 1, 1995, through June 30, 1998, are custodians, engineer/custodians, repair department personnel/custodians, and bus driver/custodians. The inclusion of “custodian” to each position’s title allows the district to assign the employees custodial or engineering (if licensed) duties if so required. The review team views this as a commendable practice, in that it is efficient in terms of scheduling and accomplishing work. It enables the district to assign available personnel to complete tasks which may otherwise not fall within their job descriptions and could result in the need for additional staff.

The work week consists of five consecutive days, 40 hours per week, eight hours per day, except for employees in continuous operations, who work 40 hours per week, eight hours per day, with schedules rotated so that all employees have an equal share of Saturdays and Sundays off.

The contract includes two personal leave days, which can be transferred and credited to accumulated sick leave balances if unused during the school year. Ten days’ sick leave are granted to 10 month employees, and 12 to 12 month employees.

Those employees having reached age 60 with 15 years or more service with the board, and collecting a PERS retirement pension shall be eligible to receive upon retirement accumulated sick days at the rate of \$20 per day subject to a maximum of \$4,000.

Vacations are granted to employees during the months of July and August, with the following allotments:

<b>Years Service</b>	<b>Vacation Allotment</b>
1 to 5	2 weeks
5 to 10	3 weeks
Beyond 10	4 weeks

The agreement reflects a two-tiered salary structure for employees based upon hire dates either before or after November 1, 1980. There are also separate salary schedules for custodians and engineer/custodians, both of which included 18 steps for the 1997-98 contract period.

Differentials are paid to employees in various titles and work locations as follows: Truck drivers and staff personnel in the repair department receive an additional \$2,300 beyond the custodian schedule for their respective steps. Bus drivers/custodians and maintenance/repair department

tradesmen receive an additional \$4,000, and engineers/custodians receive an additional \$3,000. The engineers/custodians are paid on a higher scale than the others, which reportedly compensates them for the additional, higher level job duties. The \$3,000 differential reportedly compensates them for possession of a black seal license. There are approximately 25 engineers/custodians in the district receiving this \$3,000 differential payment.

**Recommendation:**

**Possession of a black seal license is a job requirement for the engineers/custodians. As such, additional compensation for possession of this license is inappropriate. LGBR recommends the elimination of this additional compensation. However, if the board believes that the job duties or requirements require additional compensation for these employees beyond that which they already receive under their higher salary guide, such amount should be included within the salary schedule to prevent any misunderstanding of compensation levels.**

**Cost Savings: \$75,000**

Custodians working a shift other than the day shift are paid a differential of \$5 per shift. A review of the payroll exception sheets for the 1997-98 fiscal year revealed approximately \$19,000 in shift differential payments to custodial employees assigned to specific locations, i.e., the high school and one of the community schools.

**Recommendation:**

**LGBR does not support the payment of shift differentials. The duties and requirements of the position are the same regardless of the shift worked. Payment of the shift differential should be discontinued.**

**Cost Savings: \$19,000**

Employees are paid time and a half for hours worked beyond eight hours a day or 40 hours per week or for work on Saturdays unless they are assigned on continuous operations. Employees working on continuous operation shifts receive time and a half for all work performed on the 6<sup>th</sup> consecutive day. Employees receive time and a half for work performed on holidays. In addition, those working on continuous operations receive the straight day's salary in addition to the time and a half.

Any employee who is called in for periods other than his regular shift shall be paid time and a half, and guaranteed a minimum of three hours. For snow and other storm related emergencies, the guaranteed call-in time shall be four hours.

Longevity payments are provided as follows:

10 to 14 years -	\$500
15 to 19 years -	\$700
20 to 24 years -	\$1200

25 or more years - \$1800

**Recommendation:**

**As indicated above, longevity payments as such should be discontinued. Compensation for years of service should more appropriately be included within the salary schedule. LGBR recommends that Bayonne revamp its salary schedules accordingly.**

**Ten Month Secretarial and Clerical Employees**

The agreement for this group of employees was effective September 1, 1994, through August 31, 1997.

Their work year is September 1 through June 30. The work hours are no more than 7½ hours per day including one hour for lunch and one 15-minute break period. If called in to work on a holiday or other day when schools are closed (except summer), these employees are paid 1/200<sup>th</sup> of their annual salary for the current year, with the option that compensatory time can be given in lieu of that salary for such time worked. If called in during the summer months, the employee is paid 1/200<sup>th</sup> of the salary for the next school year.

**Recommendation:**

**The team recommends that the district consider increasing the number of work hours for its secretarial/clerical workers by half an hour from 6½ to 7 hours per day excluding lunch. Within the central and business offices there are approximately 34 secretarial/clerical employees. Requiring each to work an additional half hour per day would result in the equivalent of almost 2.5 additional full-time positions. On this basis, the district could potentially reduce its central office secretarial/clerical staff by two positions.**

**Cost Savings: \$48,000**

**(Note: The team recognizes that most of the central/business office secretarial/clerical positions are 12 month positions not covered by collective bargaining. Rather, their employment is through board resolution, as addressed below. For purposes of simplifying this recommendation, the team is grouping these 10 and 12 month positions. The estimated savings reflect starting salaries for 10 month positions.)**

Leaves with pay are allowed for deaths in family, marriages, etc. Two days personal leave is granted each year. If unused, personal leave days are transferred and credited to accumulated sick leave balances.

Each employee is granted 10 days sick leave per year. All unused days are carried forward and accumulated into a sick leave balance. Retiring employees having reached age 55 with 20 years service are eligible to redeem upon retirement compensation for the accumulated sick leave days at the rate of \$25 per day subject to a maximum payment of \$4,500.

Absences for sick leave without pay and maternity leave are the same as the provisions for administrators and teachers.

The agreement includes a salary guide of 14 steps. There is also a longevity provision as follows:

After 10 years - \$300  
After 15 years - \$700  
After 20 years - \$1,200  
After 25 years - \$1,800

**Recommendation:**

**As indicated above, if the district wishes to reward its employees beyond the salary guide for their years of experience, these amounts should be built into the salary guide to reflect the actual salaries paid to the district's employees.**

**Discretionary Employees**

The salaries of those employees not covered by a collective bargaining agreement are set by board resolution. This was last done in 1995, at which time salaries were established up through the 1996-97 school year. The collective bargaining agreement of the ten-month secretarial/clerical employees is used as the guide for all other conditions of employment for all non-represented, non-certificated employees, with the exception of time schedule and work calendar. Covered by this board resolution are 12 month secretary/clerks, attendance officers, and certain other singular titles.

The attendance officers who are included under this board resolution are granted longevity payments of \$250 for 15 through 20 years of service, and \$350 beyond 20 years' service.

All non-represented certified employees use "other" collective bargaining agreements as a guide for all conditions of their employment, with the exception of time schedule and work calendar. The superintendent and business administrator have their own individually negotiated contracts, which have been addressed.

Although the board resolution does not so indicate, these 12 month employees, like the 12 month administrators, are reportedly compensated for 11 months work but over a 12 month period. They are similarly granted 21 or 22 vacation days per year but without pay.

**Recommendation:**

**As indicated in the administrators' section, the review team recommends that the terms and conditions of the discretionary employees' employment be clearly stated in writing to ensure that there is no misunderstanding. The team also recommends that they utilize these vacation days for the winter and spring breaks and teachers' conventions, which should again result in increased productivity.**

#### **IV. SHARED SERVICES**

The concept of shared services is extremely important to school districts, municipalities, and other public entities. Although some shared services agreements have been pursued, LGBR continues to encourage and recommend that school districts explore and take advantage of all opportunities, whether with municipalities, other school districts, county agencies, or other public entities. The cost savings that can be achieved by aggressively seeking ways and means to combine resources or improve the quality of life/services should be a major segment of a district's strategic plan. The financial rewards gained through shared services can result in tax savings to residents. At the present time, the district utilizes the following shared service opportunities:

Bus Services---The school district shares a two-bus special education run with a local school district and also provides the bus service for the city- sponsored summer camp.

Interactive Television (ITV)---The district provides Japanese instruction to the students by having the program broadcast from Kearny High School. The sharing of services allows the high school to include Japanese as part of the curriculum.

Don Ahern Veterans Memorial Stadium---The school district uses the municipal stadium for sporting events. The city maintains the grounds and the property. The stadium is in need of repairs and renovations. The district/municipality is seeking corporate sponsors to underwrite the upgrading and repairs. At the present time a corporate five-year contract to repair and renovate the stadium with additional funds for school-related projects and uses is pending.

Utilities---The City of Bayonne competitively bids trash collection and provides this service to district schools. The district is billed once annually based upon actual services delivered at the competitive rates. In addition the city also provides water and sewer to the school at no cost to the district.

Snow Removal---Even though there is no formal agreement, the city and schools share clearing and removal duties on and around school property when required.

#### **Recommendations:**

**The Bayonne School District has displayed some initiative in the area of shared services. The LGBR believes that the district should seek out and explore additional ways to share services with the municipality, other school districts, and public entities. LGBR recommends that the district pursue shared services in the following areas:**

**Vehicle Maintenance - Merge the school vehicle maintenance operation into the city's facility, including the storage of school buses at the city's impound lot. Steps have reportedly already been taken to consolidate the fueling operation.**

**Maintenance of Facilities -** As indicated in the best practice section of this report, the district has demonstrated a commitment to providing safe and clean school facilities and has work rules in place which provide flexibility in meeting district priorities. As proposed by LGBR, with the addition of an automated work order process, the district would be able to plan and schedule work and determine the appropriate level of staff required. Once a work order process is in place, LGBR would strongly recommend that the school district and the city explore the feasibility of utilizing district buildings and grounds management and maintenance staff to maintain and operate city facilities.

**Natural Gas/Electricity Procurement -** The district should initiate an immediate dialogue with city and housing authority purchasing officers to explore the advantages of aggregation in the competitive bidding of its natural gas and electric utilities.

**Recreation Activities -** The district should formalize a process to coordinate the provision of youth recreation activities with the city recreation office and other providers, e.g., PAL.

**Cooperative Purchasing -** The district and the city should explore the feasibility of jointly seeking proposals to join a cooperative purchasing entity that meets their collective needs.

In addition to savings to be realized by joining services, there are two new state programs designed to encourage and reward local governmental units and their taxpayers for regionalizing, sharing and joining services with other units of local government. The Efficiency Development Incentive Act (REDI) provides funds to local units to study the feasibility of joining services. The second program, REAP (Regional Efficiency Assistance Program), provides direct tax relief for any local government regional service agreement signed after July 1, 1997. These programs are administered by the New Jersey Department of Community Affairs (DCA), Division of Local Government Services. The city is encouraged to contact DCA for additional information.



## **V. STATUTORY AND REGULATORY REFORM**

The fifth and final section of the report, Statutory and Regulatory Reform, attempts to identify those areas where existing State regulations or statutory mandates are brought to the attention of the LGBR review team by local officials. These regulations or mandates appear to have an adverse effect on efficient cost effective local operations. It is common for local officials to attribute high costs and increased taxes to “state mandates.” Each review team is then charged with reporting those areas in this section of the report. The findings summarized below will be reviewed by the appropriate state agency for the purpose of initiating constructive change at the state level.

### **School Bus Replacement**

The district’s fleet of school buses consists of non-transit type and transit type school buses. Under Title 39:3B-5.1 school buses manufactured on or after April 1,1977, other than those of a transit type whose gross vehicle weight (G.V.W.) exceeds 25,000 pounds, shall not be used for pupil transportation purposes beyond the end of the 12<sup>th</sup> year from the date of manufacture. Under Title 39:3B-5.2 school buses of the transit type whose gross vehicle weight exceeds 25,000 pounds shall not be used for pupil transportation purposes beyond the 20<sup>th</sup> year from the date of manufacture. Presently, the restrictions stated in Title 39:3B-5.1 place a hardship on Bayonne or any district that has a regular maintenance schedule and buses with low mileage.

As a result the district must replace what they consider to be perfectly good, safe buses with low mileage to abide by regulations set forth in Title 39. In Bayonne’s case the aforementioned buses are donated to and used by the recreation department and other agencies. The district is now in the unenviable position of having to purchase two new buses. If the district were able to use the 12 year buses for three more years, or 25% longer, it would not have to replace buses at a cost of between \$75,000-\$100,000 each. The maintenance cost for the 25% increase in use should not be a factor.

The administration and the board of education believe that the legislation should be revised to allow use of school buses for longer than the 12 years stated in Title 39:3B-5.1.

### **Megan’s Law Notification Process**

The district expressed concerns regarding the notification costs under Megan’s Law. Currently the district is responsible for the cost of fliers, envelopes, mailing, and clerical salaries. The district believes that the unanticipated expense should be reimbursable if it is responsible for notification.

## **LOCAL GOVERNMENT BUDGET REVIEW ACKNOWLEDGMENTS**

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